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United Nations

Financial report and audited financial statements

for the biennium ended 31 December 2005 and

Report of the Board of Auditors

Volume I
United Nations

General Assembly
Official Records
Sixty-first Session
Supplement No. 5 (A/61/5)

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Abbreviations

BIS	Budget Information System
BONUCA	United Nations Peace-Building Support Office in the Central African Republic
CEB	United Nations System Chief Executives Board for Coordination
CTS	Consolidated Treasury System
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCAP-APCAEM	ESCAP Asia and Pacific Centre for Agricultural Engineering and Machinery
ESCAP-APCATT	ESCAP Asia and Pacific Centre for Transfer of Technology
ESCAP-CAPSA	ESCAP Centre for Alleviation of Poverty through Secondary Crops Development in Asia and the Pacific
ESCAP-SIAP	ESCAP Statistical Institute for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICJ	International Court of Justice
ICSC	International Civil Service Commission
IFRC	International Federation of Red Cross/Red Crescent Societies
ILO	International Labour Organization
IMDIS	Integrated Monitoring and Documentation Information System
IMIS	Integrated Management Information System
INSTRAW	International Research and Training Institute for the Advancement of Women
IOM	International Organization for Migration

IRU	International Road Transport Union
JITAP	Joint Integrated Technical Assistance Programme
NEPAD	New Partnership for Africa's Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
OPICS	Operations Processing Integrated Control System
TIR	Transports internationaux routiers (International Road Transport)
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNICRI	United Nations Interregional Crime and Justice Research Institute
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNMAS	United Nations Mine Action Service
UNOGBIS	United Nations Peacebuilding Support Office in Guinea-Bissau
UNPA	United Nations Postal Administration
UNSCO	United Nations Special Coordinator in the Occupied Territories
UNSMIS	United Nations Staff Medical Insurance Society against Sickness and Accident
UNTSO	United Nations Truce Supervision Organization
WFP	World Food Programme
WHO	World Health Organization

Letters of transmittal

31 March 2006

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the United Nations for the biennium 2004-2005, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Yours sincerely,

(*Signed*) Kofi A. **Annan**

Mr. Guillermo N. Carague
Chairman
United Nations Board of Auditors
New York

28 July 2006

I have the honour to transmit to you Volume I of the report of the Board of Auditors on the financial statements of the United Nations for the biennium ended 31 December 2005.

(*Signed*) Guillermo **Carague**
Chairman, Philippine Commission on Audit
and Chairman
United Nations Board of Auditors

The President of the General Assembly
New York

Chapter I
Financial report for the biennium ended 31 December 2005

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the United Nations for the biennium 2004-2005 ended 31 December 2005. The financial results reported relate to activities of the United Nations other than those of peacekeeping operations, United Nations Iraq escrow accounts, the United Nations Compensation Commission, the International Criminal Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, which are reported separately.

2. The accounts consist of 10 statements supported by schedules and notes and provide financial information relating to the United Nations General Fund and related funds, technical cooperation activities, general trust funds and other special funds. Financial statements for each trust fund have not been included in the published accounts; instead, a consolidated financial position is presented.

3. The present financial report is designed to be read in conjunction with the financial statements, but can be considered alone. It presents an overview of the consolidated results and an analysis of the financial statements by major category, highlighting important trends and significant changes. The annex to the report provides technical information, as well as information required by the Financial Regulations and Rules of the United Nations to be reported to the General Assembly.

4. The financial report, the audited financial statements and the report of the Board of Auditors, along with the associated report of the Advisory Committee on Administrative and Budgetary Questions, will be submitted to the General Assembly at its sixty-first session.

B. Governance

5. Established mechanisms of governance include the review and approval by expert intergovernmental bodies of budgets and the review of performance reports and external and internal audit reports.

6. In addition, a number of initiatives to strengthen governance are under way, as described in the report of the Secretary-General on the implementation of the decisions from the 2005 World Summit Outcome (A/60/568 and Corr.1-2). These include the completion of a comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system, and the establishment of the Independent Audit Advisory Committee, as summarized below.

Comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system

7. The General Assembly, in its resolution 57/278 A of 20 December 2002, requested the Secretary-General and the executive heads of the funds and

programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system and to make proposals on the future format and consideration of the reports of the Board of Auditors by the respective executive boards and the Assembly. The Assembly reiterated its request in resolution 59/264 A of 23 December 2004. Pursuant to paragraph 164 (b) of the 2005 World Summit Outcome (see Assembly resolution 60/1), the Secretary-General prepared terms of reference for a comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system of the United Nations and the roles and responsibilities of management, with due regard to the nature of the auditing and oversight bodies in question.

8. A steering committee, composed of international independent experts in the field of governance and oversight, was established and assigned the responsibility of coordinating and supervising the entire project. The Steering Committee was assisted in its role by consultants who undertook the technical work.

9. The report of the Steering Committee (see A/60/883 and Add.1-2) contains far-reaching recommendations on improving governance and strengthening oversight, including a review of the Office of Internal Oversight Services, and is before the General Assembly for consideration at its sixty-first session.

Independent Audit Advisory Committee

10. Pursuant to paragraph 164 (c) of the 2005 World Summit Outcome, the Secretary-General submitted detailed proposals on the creation of an independent audit advisory committee. The General Assembly, in its resolution 60/248 of 23 December 2005, decided to establish the Independent Audit Advisory Committee to assist it in discharging its oversight responsibilities. The Secretary-General has proposed updated terms of reference for the Independent Audit Advisory Committee that are consistent with the comprehensive review of oversight (see A/60/846/Add.7). These terms of reference will be reviewed by the General Assembly at the sixty-first session, with a view to operationalizing the Committee.

11. It should be noted that the Independent Audit Advisory Committee is separate and distinct from the internal mechanism established by the Secretary-General to assist him in ensuring compliance, within the Secretariat, with recommendations arising from audits and investigations.

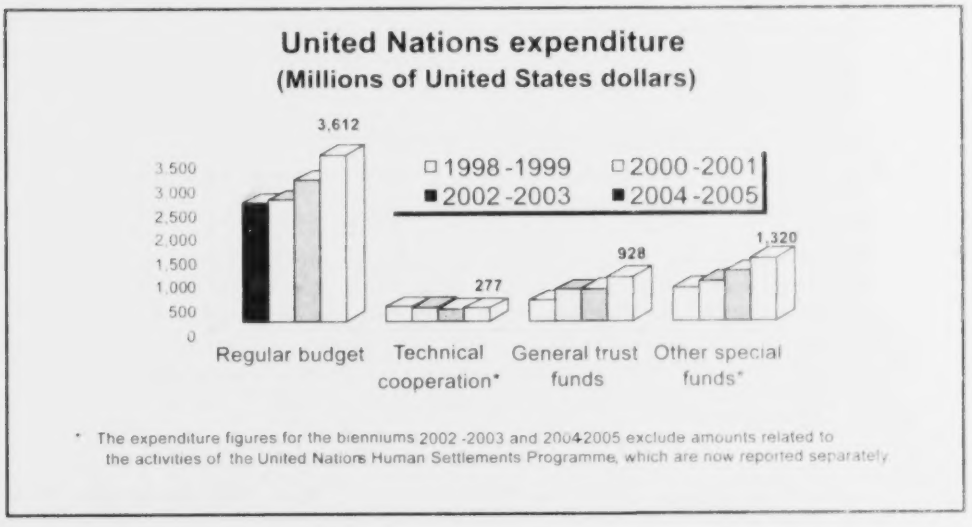
C. Overview

12. Statements I, II and III of the accounts summarize the consolidated results of United Nations activities other than the peacekeeping activities, the United Nations Iraq escrow accounts, the United Nations Compensation Commission, the International Criminal Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda. Statement I presents income by major category and total expenditure incurred during the biennium 2004-2005. Statement II shows a summary of assets, liabilities and reserves and fund balances as at 31 December 2005. Statement III summarizes the Organization's net cash flows for the period.

13. Expenditures for the biennium 2004-2005 show an increase of 21.8 per cent for the United Nations regular budget, compared with 2002-2003. This largely

relates to the increase in special political missions, the strengthening of security and a weakening of the United States dollar. There was also an increase of 6.5 per cent for technical cooperation activities and an increase of 36.9 per cent for general trust funds in the 2004-2005 biennium, compared with 2002-2003. Expenditure for other special funds increased by 27.4 per cent, the majority of which is attributable to higher expenditures for the Tax Equalization Fund (statement VIII), capital assets and construction in progress (statement IX) and jointly financed activities (schedule 10.4). After eliminations between funds, overall expenditure in 2004-2005 was 24.1 per cent higher than in the previous biennium. Figure I.1 provides a graphic comparison of expenditure by category for the past four bienniums.

Figure I.1



14. Table I.1 shows the expenditure for the four categories of United Nations activity as a percentage of total expenditure for the past four bienniums.

Table I.1
Expenditure by category and biennium
(Percentage)

Category of expenditure	*Biennium*			
	1998-1999	*2000-2001*	*2002-2003*	*2004-2005*
Regular budget	63.4	58.9	60.0	58.9
Technical cooperation	7.6	6.7	5.3[a]	4.5[a]
General trust funds	10.9	15.3	13.7	15.1
Other special funds	18.1	19.1	21.0[a]	21.5[a]
Total	**100.0**	**100.0**	**100.0**	**100.0**

[a] The percentage for the bienniums 2002-2003 and 2004-2005 exclude expenditure related to the activities of the United Nations Human Settlements Programme, which is now reported separately.

D. United Nations General Fund, Working Capital Fund and United Nations Special Account

15. The United Nations General Fund comprises all regular budgetary income and expenditure, as well as the assets, liabilities and reserves and fund balances of the Organization other than those specifically identified with other funds. Statement IV shows the status of regular budgetary appropriations. Statement V shows income and expenditure, assets, liabilities and reserves and fund balances as at 31 December 2005 of the General Fund, the Working Capital Fund and the United Nations Special Account.

16. The appropriation for the regular budget for the biennium 2004-2005 totalled $3,655.8 million. Actual expenditure totalled $3,612.2 million, representing an increase of 21.8 per cent compared with total expenditure of $2,964.6 million for the biennium 2002-2003. Tables I.2 and I.3 show expenditure for the regular budget for the past two bienniums by major activity and object of expenditure.

Table I.2
Percentage of total expenditure by major activity

	Biennium	
Major activity	*2002-2003*	*2004-2005*
Overall policymaking, direction and coordination	18.3	16.8
Political affairs	12.1	16.2
Economic, social and humanitarian affairs	26.7	25.6
International justice and law	2.1	2.0
Public information	5.1	4.4
Common support services	18.5	15.6
Staff assessment cost	13.0	11.9
Capital and special expenditure	4.2	7.5
Total	**100.0**	**100.0**

Table I.3
Percentage of total expenditure by object of expenditure

	Biennium	
Object of expenditure	*2002-2003*	*2004-2005*
Salaries and other personnel costs	77.6	74.7
Travel	2.1	2.1
Contractual services	2.7	2.7
Operating expenses	8.1	8.8
Acquisitions	3.8	6.3
All other expenses	5.7	5.4
Total	**100.0**	**100.0**

17. Schedule 5.2 contains the details of miscellaneous income, which amounted to $43.8 million for the biennium 2004-2005 and was $6.1 million, or 16.3 per cent, higher than the amount budgeted. In comparison with the biennium 2002-2003, total miscellaneous income increased by 21.6 per cent, largely as a result of the increase in interest income and net income from revenue-producing activities, which was partly offset by a decline in contributions from new Member States.

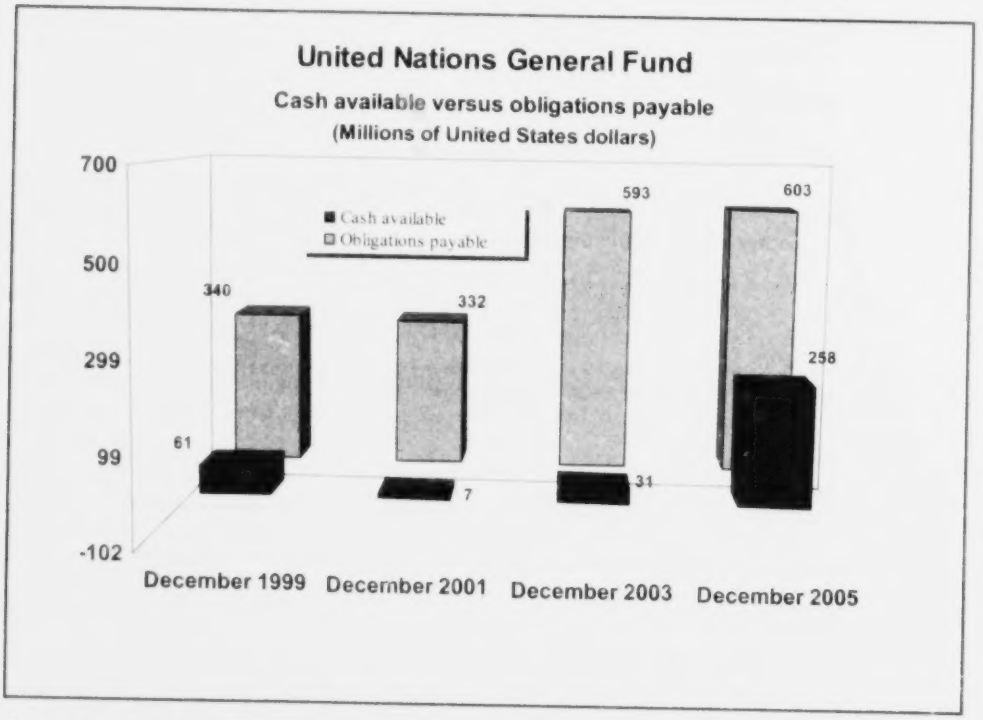
18. As at 31 December 2005, unpaid assessed contributions to the regular budget totalled $344.8 million, representing a decrease of $108.2 million (23.9 per cent) compared to the situation as at 31 December 2003.

19. In spite of the reduced level of unpaid contributions, the failure of Member States to pay their assessed contributions in full and on time has resulted in cash shortages, leading to the need for the regular budget to borrow from other sources in order partly to meet its obligations. The primary sources for borrowings continued

to be the Working Capital Fund and the United Nations Special Account, supplemented from time to time by temporary borrowings from peacekeeping operations. As at the end of the current biennium, the loans from peacekeeping had been repaid.

20. The high level of unpaid assessments continues to impact negatively upon the Organization's liquidity. Figure I.2 illustrates the level of the Organization's obligations, consisting of payments due to various providers of goods and services, and the extent to which these obligations exceeded the amounts of available cash as at the end of the past four bienniums.

Figure I.2

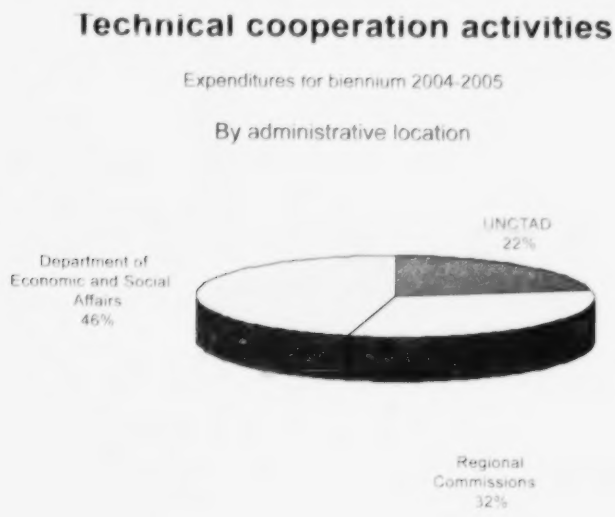


21. As at 31 December 2005, the General Fund's reserves and fund balances amounted to $103.3 million and comprised an authorized retained surplus of $68.3 million and a cumulative surplus of $35.0 million. The surplus position resulted from an excess of income over expenditure of $74.6 million and savings on or cancellation of prior periods' obligations of $21.6 million, which offset the deficit of $61.2 million from 2003. The excess of income over expenditure primarily resulted from the assessment in 2004 of $76.9 million pertaining to the final appropriation for the biennium 2002-2003, approved by the General Assembly in its resolution 58/271 C of 23 December 2003.

E. Technical cooperation activities

22. Statement VI reflects the results of United Nations activities in the field of technical cooperation. Total expenditure for technical cooperation activities was $277.2 million, representing an increase of $16.8 million compared with the biennium 2002-2003. Figure I.3 shows technical cooperation expenditure by administrative location.

Figure I.3



F. General trust fund activities

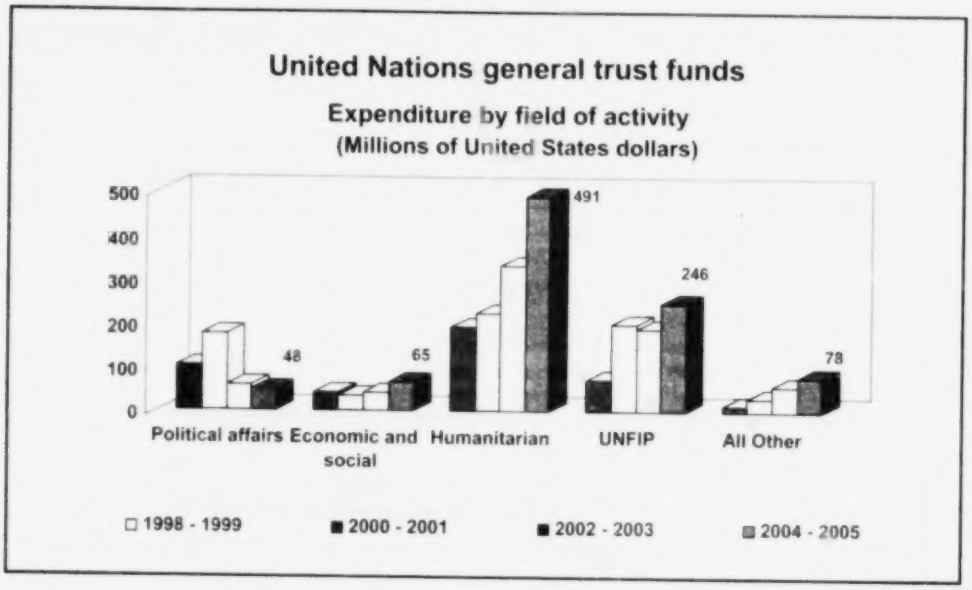
23. A consolidated summary of the 169 general trust funds is included in statement VII. In the biennium 2004-2005, 9 general trust funds were established and 29 were closed. Various United Nations trust funds have been established to support or supplement the substantive work programme of the Organization or to contribute to activities of humanitarian or relief assistance.

24. Total expenditure of $928.4 million for all general trust funds was 36.9 per cent higher than the total of $678.1 million for the biennium 2002-2003. Total income increased by 44.1 per cent to $1,124.5 million for the biennium 2004-2005, primarily as a result of an increase in voluntary contributions.

25. Six large funds accounted for 77.0 per cent of total expenditure for all general trust funds, namely, the United Nations Fund for International Partnerships ($245.6 million), the Trust Fund for Disaster Relief Assistance ($170.5 million), the Voluntary Trust Fund for Assistance in Mine Clearance ($112.8 million), the trust fund established to support the activities of the Centre for Human Rights ($77.4 million), the Trust Fund for Human Security ($61.8 million) and the trust fund for strengthening the Office of the Emergency Relief Coordinator ($46.6 million).

Summary data on all trust funds are contained in schedule 7.1. Figure I.4 illustrates trust fund expenditure by field of activity for the past four bienniums.

Figure I.4



G. Other special funds

26. Statements VIII to X provide information on funds established by the United Nations for various special purposes. A description of each of these funds or group of funds and how they function is included in the notes to the financial statements.

27. Schedule 10.2 shows activities in the programme support costs accounts, with the exception of the support account for peacekeeping operations which is reported in the United Nations financial statements for peacekeeping operations. Programme support costs are moneys earned by the United Nations for the provision of administrative support to technical cooperation activities, trust fund activities and administrative structures such as the United Nations Development Programme and the United Nations Children's Fund. Programme support costs are charged to fund activities, so that the United Nations regular budget does not bear undue direct or indirect costs of extrabudgetary activities.

28. Overall income for programme support other than that related to peacekeeping totalled $174.1 million for the biennium 2004-2005, representing a 15.4 per cent increase over the previous biennium's total of $150.9 million. Expenditure from those support accounts totalled $145.3 million, representing a 17.5 per cent increase over the 2002-2003 figure of $123.7 million.

Annex

Supplementary information

1. The present annex provides an explanation of the double-counting contained in the financial statements, along with information that the Secretary-General is required to report.

Double-counting in the financial statements

2. The United Nations financial statements for individual funds contain elements of double-counting of income of $751.1 million, expenditure of $819.1 million and transfers to other funds of $68.0 million. These amounts have been eliminated, as shown in statement I. Similarly, the United Nations financial statements for individual funds contain elements of double-counting of inter-fund indebtedness totalling $563.7 million. These amounts have been eliminated from the assets and liabilities figures shown in statement II.

Write-off of losses of cash and receivables

3. In accordance with financial rule 106.8, write-offs totalling $1,088,604 were approved for the biennium 2004-2005. A breakdown of the write-offs is shown in the following table:

	Biennium	
	2002-2003	*2004-2003*
Fund/activity	*(United States dollars)*	
United Nations General Fund	288 107	621 639
Revenue-producing activities	516 663	—
Technical cooperation activities	31 312	10 960
General trust funds	581 336	79 262
Other special accounts	195 092	376 743
Total	**1 612 510**	**1 088 604**

Write-off of losses of property

4. In accordance with financial rule 106.9, property losses amounting to $458,996 were written off during the biennium 2004-2005. The losses are based on the original cost of the property, and include write-offs arising from shortfalls, thefts, damages and accidents. The write-offs bring the recorded balances of property to the same levels as those shown in the property records for the actual quantities on hand.

Ex gratia payments

5. In accordance with financial rule 105.12, ex gratia payments amounting to $1,118,148 were made during the biennium 2004-2005.

Chapter II
Report of the Board of Auditors

Summary

The Board has audited the financial statements of the United Nations for the biennium ended 31 December 2005. In addition, the Board has reviewed, under financial regulation 7.5, the operations of the United Nations at its Headquarters and at the United Nations offices away from Headquarters in Addis Ababa, Bangkok, Beirut, Geneva, The Hague, Nairobi, Santiago, Santo Domingo, Turin, Italy, and Vienna.

The Board has acted on specific requests of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the General Assembly.

The Board has expressed an unqualified opinion on the financial statements of the United Nations for the biennium ended 31 December 2005, as presented in chapter III of the present report.

Implementation of previous recommendations of the Board

As encouraged by the Advisory Committee on Administrative and Budgetary Questions and in line with paragraph 7 of General Assembly resolution 59/264 A, the Board has evaluated the ageing of its previous recommendations that were not yet fully implemented and indicated the financial period for which such recommendations were first made in annex I to the present chapter. Of the 79 recommendations, 21 (26 per cent) were implemented, while 56 (71 per cent) were under implementation and 2 (3 per cent) were not implemented. Of the 58 recommendations not yet fully implemented, 37 (64 per cent) relate to the biennium 2002-2003, 14 (24 per cent) to the biennium 2000-2001 and 7 (12 per cent) to the biennium 1998-1999.

Coordination among oversight bodies

To establish the reliance that can be placed on the audit work of oversight bodies, avoid duplication of effort and ensure optimal use of audit resources, the Board constantly coordinated its work with that of the other oversight bodies and experts. The Board considered this coordination relevant in the present audit considering the number of audits, reviews and investigations that pertain to the operations of the United Nations, its funds and programmes.

Financial overview for the biennium ended 31 December 2005

Total income of $5.86 billion exceeded total expenditure of $5.32 billion by $0.54 billion. The combined increase of $1.29 billion in the assessed contributions, voluntary contributions and funds received under inter-organizational arrangements resulted in the increase in total income of $1.31 billion, or 29 per cent. The increase in total income exceeded the increase of $1.03 billion, or 24 per cent, in expenditure, which translated into an increase of $0.51 billion, or 22 per cent, in reserves and fund balances. Total assets grew by $0.59 billion, or 19 per cent, attributable to the

combined increase of $0.69 billion in cash pools and other accounts receivable. Total liabilities increased by $0.08 billion, or 10 per cent, while reserves and fund balances increased from $2.27 billion to $2.78 billion.

Presentation and disclosure of financial statements

The Board assessed the extent to which the financial statements of the United Nations for the biennium ended 31 December 2005 conformed to the United Nations System Accounting Standards. The Board noted that:

(a) The closing balances of accounts receivable, inter-fund and revenue as reported in the detailed trial balance materially differed from those in the total of the transactions journal for the posted accounting period of 1 January 2005 to 31 December 2005. The variance in accounts receivable amounted to $20.87 million, in inter-fund balances to $186.07 million, and in revenue to $36.59 million, or a total of $243.53 million;

(b) There were delays in the submission by travellers of the travel expense claim form after the completion of travel, which is not in keeping with the requirements of administrative instruction ST/AI/2000/20, whereby liquidation shall be done within two calendar weeks after completion of travel;

(c) The provisions of administrative instruction ST/AI/2000/20 on the granting of a travel advance of up to 75 per cent to individuals other than staff members and the period within which to file the travel expense claims (within two calendar weeks after completion of travel) differed from the provisions in the Integrated Management Information System (IMIS) User Procedures Manual (i.e., an advance of up to 80 per cent and filing within 60 days);

(d) The balance of $298.4 million of non-expendable property included unlocated or unaccounted items valued at $23.45 million, and an excluded unknown value of 22,403 items physically identified during the inventory taken by the Administration.

Trust funds

In regard to trust funds, the Board noted that:

(a) There was a decrease in the number of inactive trust funds. Only 35 trust funds, with combined reserves and fund balances of $27.5 million as at 31 December 2005, did not show any expenditure for the biennium 2004-2005 except for transactions pertaining to the investment and related accounts, as compared with 63 in the biennium 2002-2003;

(b) Four trust funds administered by the Department for Disarmament Affairs consecutively incurred a shortfall of income over expenditure, from $0.45 million in 2002-2003 to $0.84 million in 2004-2005, while three trust funds incurred a combined shortfall of $0.56 million in 2004-2005, from an excess of income over expenditure of $1.34 million in 2002-2003, which was primarily caused by the decline in the combined voluntary contributions income. There is likely to be the risk of inability to sustain efforts in attaining the goals and objectives of trust fund management.

United Nations Fund for International Partnerships

Between the inception of the United Nations Fund for International Partnerships (UNFIP) on 1 March 1998 and 31 December 2005, a total of $808 million, which included co-financing from other funding partners, was allocated to fund 375 projects in 122 countries, involving 37 United Nations organizations. The cumulative amount of co-financing from other funding partners stood at $359.6 million, or 44 per cent of the total approved allocations. In addition, parallel funding provided for the same programmes and projects amounted to $321.9 million. The Board noted that:

(a) Of the 324 reports expected by UNFIP for the cumulative period ended 31 December 2005, 118 (36 per cent) had not yet been received as at audit date. Also, disbursements of $2.08 million on 12 projects were not recorded in 2005 since the associated financial utilization reports were not submitted in time for the closure of accounts, which affected the balances of the advances to implementing partners and unliquidated obligations accounts as at 31 December 2005;

(b) Of the 313 projects completed as at 31 December 2005 (at a cost of $431.3 million), final certified financial statements were submitted for 172 (71 per cent). Moreover, 53 completed projects with unspent cash balance of $3.7 million remained open as at 31 December 2005. The non-submission of final certified financial reports will result in the non-closure of accounts and deprive UNFIP of utilizing unspent funds to finance other projects.

Information and communication technology

The Administration reported to the General Assembly that, since the adoption of resolution 57/295, the United Nations System Chief Executives Board for Coordination had made significant progress in establishing the United Nations system's strategic framework for information and communication technology, its elaboration into specific initiatives and projects, including a knowledge-sharing and knowledge management strategy, and initiating the preparation of business case analyses for eight priority initiatives to be implemented by the organizations of the United Nations system. The Board noted that:

(a) The Administration needed a written or documented quality assurance approach or framework that can be used as a guide to address risks in regard to problems of quality and to manage quality so as to improve overall business efficiency;

(b) Except for the determination of functional needs and the proposal of the technical environment and infrastructure, the documents on file did not show that any cost-benefit analysis was undertaken. The Administration did not establish and account for the additional costs related to personnel, equipment, supplies and materials provided to the contractor during the design, development and installation of the Budget Information System or the costs of testing following its formal acceptance;

(c) The International Court of Justice developed a number of in-house applications that were not properly tested and did not meet requirements as regards best practice and international standards, notably in respect of the documentation of functionalities, segregation of duties in the creation and modification of data, and the control, documentation and authorization of changes in the information recorded,

thus putting at risk the integrity and accuracy of data. The Court had not adopted international standards on information security management and has not performed risk assessment and management. The Court was satisfied that these projects had been tested through time.

Programme management and results-based budgeting

At the forty-fourth session of the Committee for Programme and Coordination in 2004, it was recognized that results-based budgeting in the United Nations was constantly developing in a positive way and confidence was expressed that the quality of future performance reports would reflect the improved quality of programme plans and budgets. The Board noted that:

(a) The quality control of edited and translated documents in the six official languages showed an average self-revision rate of 53.2 per cent in 2004. Although this was 8.2 per cent higher than the standard self-revision rate of 45 per cent, it was lower than the rate of 58.65 per cent accomplished in 2002;

(b) The six meetings used by the United Nations Office at Geneva for the client satisfaction survey (which depended on the agreement of the respective substantive secretariats) was an inadequate number for drawing conclusions. The Office has no complaint mechanism and procedure to report and address the claims and needs of clients;

(c) Of the 63 United Nations information centres, 19 (30 per cent) did not submit their annual work plans in 2004. In 2005, 16 of the 63 Centres (25 per cent) did not submit annual work plans, contrary to the requirements envisaged in administrative instruction ST/AI/2002/3 that the development of a departmental or office work plan prior to the beginning of the performance cycle would be the foundation for work unit plans.

Treasury and investment management

As at 31 December 2005, cash and term deposits reflected a balance of $370.47 million. Cash pools and investments balances are valued at $1.53 billion and $51.62 million, respectively. Interest income earned for the biennium amounted to $75.72 million. The Board noted that:

(a) The process of tracking and validation of cash could be readily set up in the Operations Processing Integrated Control System (OPICS). While there is a need to maintain a bank account for each of the participating funds, these need not be actual accounts because OPICS could facilitate and make efficient the automation of cash management;

(b) Treasury's expense ratio was not tracked with reasonable accuracy as it was computed based on budget allocation. The approximation of the expenses relating to the Treasury cash management application could be further improved if a more comprehensive and accurate method were applied, using historical expenditure rather than budget estimates;

(c) At the United Nations Office at Geneva, the average performance of the funds invested for United Nations Staff Medical Insurance Society against Sickness and Accident produced earnings of 0.71 per cent in 2004-2005, whereas Euribor (Euro Interbank Offered Rate) generated an average return of 2.84 per cent;

(d) The United Nations Office at Vienna did not participate in the investment pool managed by United Nations Treasury at Headquarters. Had this been done, the Office would have been in a position to invest funds in excess of $2 million, thereby generating revenue.

Revenue-producing activities

For the biennium 2004-2005, revenue-producing activities provided a net excess of income over expenditure of $5.83 million, compared to $0.46 million in 2002-2003. Of the total net income from sales of $39.97 million, the sale of United Nations postage stamps of $12.53 million and sale of publications of $11.75 million represented 31 per cent and 29 per cent, respectively. The remaining $15.69 million (40 per cent) pertained to income from services to visitors, statistical products, the gift centre, newsstand operations, garage operations, catering operations and other commercial operations. The Board noted that:

(a) The stock balance of $89.15 million in stamps in the United Nations Postal Administration's consolidated statement of assets and liabilities as at 30 June 2005 differed by $3.19 million from the stock status reports of $92.34 million. Despite the use of the stock movement log MegaStamp, on which UNPA places reliance in recording stock movement, the stock status reports as at 20 September 2005 showed negative balances for some stamps items, amounting to $50,000;

(b) There were outstanding receivables from the sale of publications. The Department of Public Information subsequently granted credit sales to delinquent customers, contrary to its standing credit policy whereby accounts which were four months in arrears would not receive further shipments. Despite the absence of a credit policy for guided tours and radio and visual services, receivables amounting to $0.14 million from customers existed;

(c) The function to receive and deposit payments had been delegated to the Garage Administration Supervisor without written authority, contrary to financial rule 103.8 (b), which states that only officials designated by the Under-Secretary-General for Management shall be authorized to issue official receipts. There were instances where deposits were made after the lapse of three to nine business days from the receipt of the money, which was not in keeping with financial rule 103.8 (c), which states that all moneys received shall be deposited in an official bank account within two business days of receipt.

Procurement and contract management

In addition to the review by the Office of Internal Oversight Services, an external consulting firm was outsourced by the Administration to review the internal controls of the Procurement Service, covering only Headquarters-generated procurement. Consequently, the Board limited its audit of procurement and contract management to one of primarily determining the status of implementation of its previous recommendations, except for those matters noted in the interim audits conducted by the Board prior to the issuance of the report of the consulting firm. The Board noted that:

(a) The terms of the procurement authority delegated to the Director of United Nations Interregional Crime and Justice Research Institute have never been

specified, contrary to the financial rule 105.13 and paragraph 3.2 of the United Nations Procurement Manual;

(b) The delegations of procurement authority granted to personnel at the United Nations Office at Geneva were not fully in line with United Nations rules. The actual delegation of procurement authority of $100,000 for the Chief of the Procurement and Contracts Unit exceeded the ceiling of $75,000 provided for in the United Nations Procurement Manual;

(c) Requisitions by the various offices at Headquarters and at field offices were made on a per-need basis, which implied the lack of an annual procurement plan;

(d) A provisionally registered contractor was awarded a contract by the Procurement Service when a pending vendor registration form was never completed, contrary to existing procurement policies. Several contracts and/or purchase orders were awarded to vendors which were not on the roster (Economic Commission for Latin America and the Caribbean in Mexico, United Nations Office at Nairobi), whose selection was not in compliance with the minimum number of vendors (Economic and Social Commission for Asia and the Pacific), and to vendors which received the contract frequently, or between 9 and 29 times during the year (Economic and Social Commission for Asia and the Pacific).

Inter-agency services

United Nations agencies located outside Headquarters share common premises and administer services jointly with other United Nations agencies which pay rent to the former for the use of space and for the administration of services rendered. The terms and conditions for the specific services are covered by written agreements which must be signed by both parties to bind each party's responsibility and accountability. The Board noted that:

(a) Three service level agreements were still unsigned as at 31 December 2005 pending the review of the revised draft by the United Nations Environment Programme and the United Nations Human Settlements Programme (UN-Habitat), while performance in financial services and human resources was not yet reported;

(b) The Economic Commission for Africa needs to explore the possibility of establishing and managing more common services, such as procurement.

Human resources management

In pursuance of paragraph 4 of section V of General Assembly resolution 59/266, the Board of Auditors conducted an audit of the implementation of the principle of geographical representation in the Secretariat at all levels, as set out in relevant resolutions of the General Assembly, and verified the application of established measures of transparency and accountability at all levels of the selection, recruitment and placement process in compliance with relevant resolutions of the Assembly. Also, the Board determined whether the United Nations had achieved the 50/50 gender distribution in all posts. The Board noted that:

(a) As at 31 December 2005, 2,606 staff members were in posts subject to geographical distribution. Of the 191 Member States, 17 were unrepresented, 8 were underrepresented, 99 were within range and below midpoint, 43 were within range

and above midpoint, and 24 were overrepresented. In the period from 2004 to 2005, there was no improvement in the status of unrepresented Member States and minimal improvement in that of underrepresented Member States, while the number of overrepresented Member States increased by 7, or 41 per cent;

(b) The overall percentage of women was still below the desired goal of 50/50; women represented only 37 per cent of the total staff of 5,976. By category level, women were severely underrepresented as they occupied 15 per cent of posts at the Under-Secretary-General level, 20 per cent at the Assistant Secretary-General level, 27 per cent at the level of Director and 38 per cent of Professional level posts.

Consultants and individual contractors

A review of compliance by substantive offices at United Nations Headquarters, offices away from Headquarters and regional commissions with established rules on the hiring, remuneration and evaluation of the performance of consultants and individual contractors in the biennium 2004-2005 disclosed inconsistent practices. The Board noted that:

(a) In several instances, the selection of consultants was not competitive owing to absence of a roster of consultants and documented justifications; the health certification requirement was not enforced; consultancy contracts were approved after the commencement of work; two certifying officers were granted the authority to approve several consultant contracts; terms of reference were not included in some consultant contracts; consultancy fees were initially paid in excess of the 30 per cent limit and in lump-sum amounts for travel and training courses; the performance of consultants was not evaluated or submitted 14 to 19 days late for two contractors; and the gender distribution ratio of consultants was below the 50/50 goal while the geographical representation showed consultants originating mostly from a few regions.

Response of the Office for the Coordination of Humanitarian Affairs to the Indian Ocean tsunami

The Board visited offices of the Office for the Coordination of Humanitarian Affairs in three tsunami-affected countries (Sri Lanka, Indonesia, Thailand), as well as its Geneva and New York headquarters to review how the Office performed its coordination mandate and managed the tsunami operation. The Board noted that:

(a) At the time of the tsunami, 20 per cent of the posts on the Geneva staffing table were vacant, including those of the Chief of the Administrative Office, the Chief of the Human Resources Section and two finance officers. This depleted capacity affected the ability of the Office to respond quickly and effectively to the administrative and financial challenges of the tsunami operation;

(b) At the time of the tsunami, the Office did not have a ready roster of staff members willing to be redeployed to take part in emergency relief operations. A total of 30 staff from the Geneva and New York offices deployed to the tsunami operation were almost systematically extended beyond the initial three weeks of their appointment;

(c) Participating agencies differed in reporting the total expenditure amount to the expenditure tracking system. Two agencies used the cash basis of reporting, contrary to the agreed principle of cash plus accrual basis when reporting on the total expenditure amount.

The main recommendations of the Board are highlighted in paragraph 16 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations for the period from 1 January 2004 to 31 December 2005, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in the context of article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, and in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was primarily conducted to enable the Board to form an opinion as to whether the expenditure in the financial statements for the biennium ended 31 December 2005 had been incurred for the purposes approved by the General Assembly, whether income and expenditure were properly classified and recorded in accordance with the Financial Regulations and Rules, and whether the financial statements of the United Nations presented fairly its financial position as at 31 December 2005 and the results of its operations for the biennium then ended, in accordance with the United Nations System Accounting Standards. The Board undertook a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that it considered necessary to form an opinion on the financial statements.

3. In addition to the audit of accounts and financial transactions, the Board carried out reviews under United Nations financial regulation 7.5. The reviews primarily focused on the efficiency of financial procedures, internal financial controls and, in general, the administration and management of the United Nations.

4. The audit was carried out at United Nations Headquarters and at the United Nations offices away from Headquarters shown in annex II to the present chapter.

5. The General Assembly, in paragraph 6 of its resolution 57/278 A of 20 December 2002, as subsequently reiterated in its resolution 59/264 A of 23 December 2004, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability. The Board noted that the Administration has implemented the decisions of the Assembly in its resolution 60/1 of 16 September 2005, containing the 2005 World Summit Outcome. The Secretary-General has proposed to the Assembly (see A/60/568, para. 14): (a) the conduct of an independent external evaluation of governance, oversight and auditing in the United Nations system; (b) the establishment of an independent audit advisory committee and its mandate, composition, selection process and qualification of experts; and (c) the establishment of an ethics office which would serve as a focal point within the Secretariat for ethics issues.

6. The present report addresses the request made by the General Assembly in section V of its resolution 59/266 of 23 December 2004, that the Board examine the implementation of the principle of equitable geographical representation in the Secretariat at all levels, as set out in relevant resolutions of the Assembly, and verify the application of established measures of transparency and accountability at all levels of the selection, recruitment and placement process in compliance with

relevant resolutions of the General Assembly. The Assembly also requested the Board of Auditors to submit to it at its sixty-first session its findings and recommendations.

7. The Board has submitted to the General Assembly at its sixty-first session a report on its audit of the financial accounts and transactions of the capital master plan project for the year 2005.[1] The financial statements of the project are part of the United Nations financial statements (see statement IX and schedule 9.1) and the results of the audit of those statements are incorporated in the present report.

8. The present report contains the findings and recommendations of the Board during its audit of the United Nations Fund for International Partnerships (UNFIP) for the financial period ended 31 December 2005 (see paras. 189-216). The financial statements of UNFIP are also part of the United Nations financial statements (see statements VII and X, and schedules 7.1 and 10.2). The Board has issued a separate report on its audit of UNFIP to the United Nations Foundation.

9. The Board continued its practice of reporting the results of specific audits through management letters containing detailed findings and recommendations, addressed to the Administration. This practice has allowed for an ongoing dialogue with the Administration.

10. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

11. A summary of the Board's main recommendations is contained in paragraph 16 below, and its detailed findings and recommendations are set forth in paragraphs 19 to 851.

1. Previous recommendations not fully implemented

Biennium ended 31 December 2003

12. In accordance with General Assembly resolutions 48/216 B of 23 December 1993 and 60/234 of 23 December 2005, the Board reviewed the measures taken by the Administration to implement the recommendations made in its reports for the bienniums ended 31 December 1999,[2] 2001[3] and 2003.[4] Details of the action taken and the comments of the Board are included in the present report and have been summarized in annex I to the present chapter. Of 79 recommendations, 21 (26 per cent) were implemented, while 56 (71 per cent) were under implementation and 2 (3 per cent) were not implemented.

13. In its report for the biennium 1994-1995, the Board recommended early resolution of the issue relating to the $44 million due from the ad hoc account for the United Nations Operation in the Congo ($36 million) and the special account for the United Nations Emergency Force (1956) ($8 million) in view of the age of

[1] *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5* (A/61/5), vol. V.
[2] Ibid., *Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. I, chap. II.
[3] Ibid., *Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. I and corrigendum (A/57/5/Corr.1), chap. II.
[4] Ibid., *Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II.

balances and amortization of the principal amount of the United Nations bonds.[5] The Board reiterated that recommendation in its reports for four bienniums from 1996 to 2003. That recommendation has not yet been implemented as at 31 December 2005.

Ageing of previous recommendations

14. As requested by the Advisory Committee on Administrative and Budgetary Questions (see A/59/400, para. 9), the Board evaluated the ageing of its previous recommendations that were not yet fully implemented. Annex I to the present chapter indicates the financial period in which such recommendations were first made.

15. Of the 58 recommendations not yet fully implemented, 37 (64 per cent) relate to the biennium 2002-2003, 14 (24 per cent) to the biennium 2000-2001, and 7 (12 per cent) to the biennium 1998-1999. The Board's further comments on these specific outstanding recommendations are provided in the present report.

2. Main recommendations

16. The Board recommends that the Administration:

Presentation and disclosure of financial statements

(a) **Strengthen its review controls to ensure that, in the preparation of financial statements, the detailed general ledger account balances agree with the totals of the details of corresponding account balances (para. 54);**

(b) **Continue to exert more efforts in regard to the submission by the traveller of the travel expense claim form in a timely manner (para. 76);**

(c) **Harmonize the IMIS application procedures and the provisions of administrative instruction ST/AI/2000/20 on the granting of travel advances and the submission of travel expense claims (para. 80);**

(d) **Improve the recording and maintenance of property records to ensure fair valuation of non-expendable property in the notes to financial statements (para. 117);**

Trust funds

(e) **Expedite the closure of long-inactive trust funds;**

(f) **Revisit its strategy for raising funds to ensure the sustainability of trust fund programmes (para. 160);**

United Nations Fund for International Partnerships

(g) **Continue to enforce strict compliance with the timely submission of financial utilization reports, including sanctions, to ensure that relevant and complete financial information on the progress made in regard to projects is generated for monitoring and reporting to the United Nations Foundation, and consider the direct participation or involvement of the finance staff of**

[5] Ibid., *Fifty-first Session, Supplement No. 5* (A/51/5), vol. I, chap. II, para. 51.

implementing partners and/or country offices in addressing financial reporting requirements of the Fund (para. 198);

(h) **Intensify the monitoring of the submission of final/certified financial statements to ensure prompt closure in the books of all operationally and financially completed projects and for implementing partners to return all unspent funds (para. 204);**

Information and communication technology

(i) **Establish a written information and communication technology quality plan, based on the Control Objectives for Information and related Technology (COBIT) audit guidelines for planning and organization, and consider customizing the operations in accordance with the standard COBIT quality assurance approach or framework adopted (para. 232);**

(j) **Monitor systematically all of the costs attributable to the new Budget Information System as the basis for its continuing cost evaluation (para. 247);**

(k) **Review and strengthen management of information technology functions and products, in line with international best practice (para. 275);**

Programme management and results-based budgeting

(l) **Implement additional measures to reduce further the self-revision rates and pursue the use of various information technology tools to enhance the quality of translations (para. 291);**

(m) **Establish a common methodology for client satisfaction surveys so that the results of such surveys can be monitored on a periodic basis (para. 317);**

(n) **Ensure the submission of workplans by the United Nations information centres in line with administrative instruction ST/AI/2002/3 (para. 397);**

Treasury and investment management

(o) **Consider reducing the number of bank accounts by making greater use of the Operations Processing Integrated Control System (para. 415);**

(p) **Systematically track, account for and report expenses associated with investment pooling in order to ensure that investment decisions are sound (para. 456);**

(q) **Pursue its efforts to manage the investment fund of the United Nations Staff Medical Insurance Society against Sickness and Accident in such a way as to maximize its return (para. 462);**

(r) **Advise United Nations Office at Vienna to participate in the investment pool (para. 468);**

Revenue-producing activities

(s) **Maintain a sub-account for every stockroom code in MegaAccount (ledger balance) and periodically reconcile the account balances against the**

ledger and stock value report, as well as a stockroom ledger to keep track of the stock movement pending its entry in MegaStamp (stock movement log), as provided for in the United Nations Postal Administration procedures manual (para. 475);

(t) **Take appropriate measures to collect outstanding receivables, enforce its credit policy on the sale of publications as regards granting additional credit for sales to customers with overdue accounts, and collect receivables from customers of guided tours and radio and visual services (para. 490);**

(u) **Comply with financial rule 103.8 (b) in relation to the formal designation of authority to issue official receipts and handle collections; and consistently apply Rule 103.8 (c) that all moneys received shall be deposited in an official bank account within two business days of receipt (para. 495);**

Procurement and contract management

(v) **Issue a formal delegation of procurement authority to the United Nations Interregional Crime and Justice Research Institute (para. 508);**

(w) **Review and update the distribution of procurement authority at the United Nations Office at Geneva in a timely manner (para. 512);**

(x) **Remind all departments, divisions and offices to submit procurement plans, and monitor their submission (para. 519);**

(y) **Deal only with suppliers duly listed in the roster of vendors to protect the interests of the United Nations and comply with the provisions of the United Nations Procurement Manual in regard to vendor selection (para. 540);**

Inter-agency services

(z) **Periodically review and update the service level agreements of the United Nations Office at Nairobi (para. 564);**

(aa) **Through the Economic Commission for Africa, in consultation with the other United Nations offices and agencies in Ethiopia, explore the possibility of establishing and managing more common services, such as procurement, which could be to the benefit of all (para. 591);**

Human resources management

(bb) **Revisit its strategies to improve the geographical representation of Member States, which may include the option of conducting national competitive recruitment examinations for mostly unrepresented and underrepresented Member States, and improve its monitoring of the performance of departments and offices in achieving an equitable geographical distribution of staff (para. 610);**

(cc) **Continue to take appropriate measures to achieve the goal of gender parity in the Secretariat (para. 629);**

Consultants and individual contractors

(dd) **Exert more effort in assessing and monitoring strict adherence to the administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors (para. 653);**

Response of the Office for the Coordination of Humanitarian Affairs to the Indian Ocean tsunami

(ee) **Improve its human resources planning at the Office for the Commissioner on Humanitarian Affairs to avoid long periods of vacancies in its administrative offices (para. 657);**

(ff) **Develop procedures, through the Office for the Coordination of Humanitarian Affairs, for the quick deployment of recruited candidates in emergencies (para. 663);**

(gg) **Coordinate, through the Office for the Coordination of Humanitarian Affairs, with participating agencies to ensure consistency in approach to tracking expenditure related to emergency relief (para. 691).**

17. The Board's other recommendations appear in paragraphs 47, 64, 68, 72, 85, 88, 92, 96, 100, 105, 113, 119, 124, 127, 131, 142, 144, 151, 153, 157, 163, 167, 170, 173, 177, 180, 183, 186, 188, 212, 216, 223, 236, 252, 256, 263, 270, 278, 281, 300, 304, 308, 312, 323, 326, 334, 338, 341, 347, 349, 353, 368, 372, 380, 384, 388, 392, 401, 405, 409, 419, 423, 428, 431, 435, 441, 446, 450, 462, 465, 477, 481, 484, 499, 502, 514, 522, 524, 526, 529, 532, 534, 536, 546, 551, 557, 561, 564, 566, 570, 574, 581, 584, 613, 617, 621, 634, 640, 643, 646, 649, 651, 657, 659, 663, 668, 670, 673, 675, 677, 681, 685, 695, 698, 701, 706, 709, 711, 719, 723, 730, 735, 737, 739, 746, 753, 757, 761, 766, 769, 771, 775, 778, 782, 788, 791, 798, 800, 803, 807, 811, 814, 818, 822, 826, 828, 830, 842 and 848.

B. Coordination among oversight bodies

18. To avoid duplication of effort, and ensure optimal use of audit resources, the Board constantly coordinated its work with that of the other oversight bodies and experts (Office of Internal Oversight Services, Joint Inspection Unit and consultants). The Board considered this coordination relevant in the present audit, especially in view of the number of audits, reviews and investigations that pertain to the operations of the United Nations, its funds and programmes.

C. Detailed findings and recommendations

1. Financial overview

19. The Board analysed the results of the operations of the United Nations for the biennium 2004-2005 and its financial position as at 31 December 2005 in comparison to the biennium 2002-2003. The results of the analysis are discussed below.

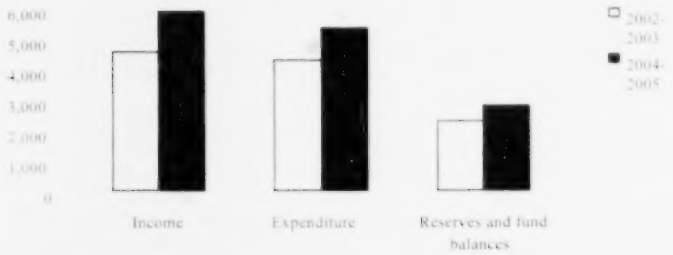
All funds summary

20. The all funds summary contains the combined financial results of the six groups of funds: General Fund and related funds, including the Working Capital Fund and Special Account; technical cooperation activities; general trust funds; Tax Equalization Fund; capital assets and construction in progress; and other special funds.

21. Total income of $5.86 billion exceeded total expenditure of $5.32 billion by $0.54 billion. Compared with $4.55 billion for the biennium 2002-2003, total income increased by $1.31 billion, or 29 per cent, largely owing to the combined increase of $1.29 billion in the assessed contributions, voluntary contributions and funds received under inter-organizational arrangements. The increase in total income outweighed the increase of $1.03 billion, or 24 per cent, in expenditure, which translated to an increase of $0.51 billion, or 22 per cent, in reserves and fund balances (fig. II.1).

Figure II.1
Income, expenditure, and reserves and fund balances for the bienniums 2002-2003 and 2004-2005

(In millions of United States dollars)



22. Total assets grew by $0.59 billion, or 19 per cent, which was attributable to the combined increase of $0.69 billion in cash pools and other accounts receivable. Total liabilities increased by $0.08 billion, or 10 per cent, from $0.81 billion while reserves and fund balances increased from $2.27 billion to $2.78 billion. The key financial figures of the United Nations funds for the bienniums 2002-2003 and 2004-2005 are set out in table II.1.

Table II.1

Key financial figures of United Nations funds for the bienniums 2002-2003 and 2004-2005[a]

(In millions of United States dollars)

	General Fund and related funds		*Technical cooperation activities*		*General trust funds*		*Tax Equalization Fund*		*Capital assets and construction in progress*		*Other special funds*		*Total*[b]	
	2002-2003	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*	*2002-2003*	*2004-2005*
Total income	2 906	3 698	292	345	780	1 124	618	709	69	91	527	644	4 554	5 860
Total expenditure	2 965	3 612	260	277	678	928	565	670	16	69	456	581	4 286	5 319
Excess (shortfall) of income over expenditure	(59)	86	32	68	102	196	53	39	53	22	71	63	268	541
Total assets	1 334	1 349	249	297	806	1 048	136	169	537	659	580	714	3 080	3 672
Total liabilities	1 018	931	106	88	137	238	60	59	13	44	36	91	807	889
Reserves and fund balances	316	418	143	209	669	810	76	109	524	615	544	622	2 273	2 784
Cumulative surplus	98	201	0	0	543	677	76	109	86	177	428	479	1 232	1 643
Major accounts														
Assessed contributions	2 857	3 648	0	0	0	0	0	0	26	18	0	0	2 883	3 665
Voluntary contributions	0	0	172	248	657	1 049	0	0	0	0	6	5	834	1 303
Allocations from other funds	0	0	44	43	0	0	0	0	43	67	123	154	13	24
Staff assessment	0	0	0	0	0	0	618	709	0	0	0	0	618	709
Funds received under inter-organization arrangements	0	0	65	46	2	4	0	0	0	0	84	142	151	192
Income for services rendered	7	6	0	0	0	0	0	0	0	0	156	181	108	108
Cash and term deposits, investments and cash pool	72	470	153	209	633	701	0	0	27	35	451	532	1 336	1 947
Assessed contributions receivable	453	345	0	0	0	0	0	0	7	10	6	6	466	361
Unliquidated obligations	138	209	50	42	96	173	60	59	9	26	17	21	370	532

[a] Comparative figures for 2002-2003 have been restated to conform to the current presentation.

[b] Net of all funds eliminations.

General Fund and related funds, including the Working Capital Fund and Special Account

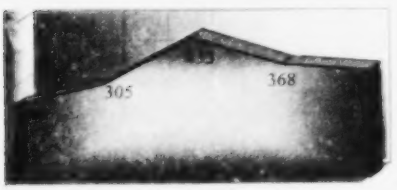
23. Total income increased from $2.91 billion to $3.7 billion, or by $0.79 billion (27 per cent), mainly owing to the increase in assessed contributions. Total expenditure also increased by $648 million (22 per cent), from $2.96 billion to $3.61 billion, reversing the shortfall of $59 million in the biennium 2002-2003 to an excess of income over expenditure of $86 million.

24. Total assets grew slightly by $15 million, from $1.33 billion to $1.35 billion. The increase was attributed to the net effect of the $404 million growth in cash pools and the decrease in assessed contributions receivable ($108 million) and inter-fund balances receivable ($265 million). Total liabilities decreased by $87 million, or by 9 per cent, from $1.02 billion to $0.93 billion. This was largely attributable to the decline in the inter-fund balances payable of $168 million. The increase in total assets and decrease in total liabilities translated to a growth of $102 million, or 32 per cent, in reserves and fund balances, from $316 million to $418 million.

25. The assessed contributions income totalled $3.65 billion, an increase of $0.79 billion, or 28 per cent, from $2.86 billion. In spite of the increase in assessments, the assessed contributions receivable of $345 million decreased by $108 million, or 24 per cent, from $453 million, implying efficiency in the collection of receivables. However, the assessed contributions unpaid in respect of the regular budget remained at a significant level, as shown in figure II.2. From 2001 to 2005, they averaged $342 million annually. The balance of $345 million as at 31 December 2005 represented 26 per cent of total assets. The Board noted that the Administration has been addressing this matter, as envisaged in the Secretary-General's proposal to charge interest on arrears in a Member State's assessed contributions (see A/60/692 and Corr.1). The Advisory Committee on Administrative and Budgetary Questions considered this a policy matter to be decided by the General Assembly with the advice of the Committee on Contributions (A/60/735 and Corr.1, para. 32).

Figure II.2
Assessed contributions unpaid

(In millions of United States dollars)



26. The Board also noted that the assessed contributions outstanding as at 31 December 2005 excluded the $16.6 million in unpaid assessed contributions retained in a special account in accordance with General Assembly resolution 3049 C (XXVII) of 19 December 1972.

27. The Board's review of the assessed contributions unpaid under the General Fund and related funds showed that of the $345 million total, $314 million (91 per cent) had been outstanding for 12 months or less and $31 million for more than 12 months. The assessed contributions unpaid included $11 million due from a country that had ceased to be a Member State on 1 November 2000, for which the Administration has taken no action since there has been no specific decision by the General Assembly on this matter, as disclosed in note 5 to financial statements.

28. As in previous bienniums, in addition to depending on the Working Capital Fund and the Special Account to meet cash flow shortfalls in the regular budget, the General Fund had to borrow from peacekeeping funds. During the biennium 2004-2005, the General Fund borrowed and settled a total of $105 million from the funds of three peacekeeping missions, compared to the $80 million borrowed and settled in the previous biennium. The General Fund had net inter-fund balances receivable of $12 million from peacekeeping funds as at 31 December 2005, compared to $39 million in 2003.

29. Unliquidated obligations increased by $71 million, or 52 per cent, from $138 million to $209 million, and the cumulative surplus rose from $98 million to $201 million, an increase of $103 million, or 105 per cent.

Technical cooperation activities

30. Total income and expenditure increased by $53 million, or 18 per cent, and $17 million, or 6 per cent, respectively. While income from all other sources declined by between 2 and 29 per cent, voluntary contributions grew by $76 million, or 44 per cent. The excess of income over expenditure more than doubled, growing by $36 million, or 116 per cent, from $32 million to $68 million.

31. Total assets increased by $48 million, or 19 per cent, from $249 million to $297 million, due to the combined increase in cash and term deposits and cash pools of $56 million, or 37 per cent. All other liabilities declined except for the inter-fund balances payable and other liabilities, which resulted in a net decrease of $18 million, or 17 per cent. Reserves and fund balances increased by $66 million (46 per cent), from $143 million to $209 million.

General trust funds

32. Total income increased by $344 million, or 44 per cent, mainly on account of voluntary contributions which grew by $393 million, or 60 per cent, from $657 million to $1.05 billion. Expenditure rose at a rate slower than income, increasing by $250 million, or 37 per cent, from $678 million to $928 million. The increase in expenditure was largely attributed to the increase in direct expenditure of $233 million, or 36 per cent.

33. All other asset components increased except for short-term investments and cash pools which posted slight declines. The net growth in assets amounted to $242 million, or 30 per cent, from $806 million to $1.05 billion. All liability components increased by a combined amount of $101 million, or 74 per cent. While

total liabilities rose at a higher rate than did assets, the reserves and fund balances increased by $141 million, or 21 per cent, from $669 million to $810 million.

Tax Equalization Fund

34. Total income increase by $91 million, or 15 per cent, from $618 million to $709 million. Staff assessment receipts from peacekeeping operations reflected the highest rate of increase, at 23 per cent. However, expenditure rose at a rate of 19 per cent, increasing by $105 million, from $565 million to $670 million. The effect was a 26 per cent decline in the excess of income over expenditure account, from $53 million to $39 million.

35. Total assets increased by $33 million, or 24 per cent, from $136 million to $169 million, mainly on account of the increase of $30 million, or 32 per cent, in dues from the General Fund. There was negligible change in liabilities, which stood at $59 million as at 31 December 2005. The cumulative surplus grew by $33 million, or 43 per cent, resulting in growth of the reserves and fund balances which increased from $76 million to $109 million.

Capital assets and construction in progress

36. Income increased by $22 million, or 32 per cent, from $69 million to $91 million, which was brought about by the increase of $25 million, or 58 per cent, in allocations from other funds. Expenditure increased by $53 million, or 331 per cent, from $16 million to $69 million. Consequently, the excess of income over expenditure account declined by $31 million, or 58 per cent, from $53 million to $22 million.

37. Assets increased by $122 million, or 23 per cent, from $537 million to $659 million. This was attributed to the fourfold increase of $68 million in construction in progress and the increase in inter-fund balances receivable of $37 million, or 88 per cent, from $42 million to $79 million. Liabilities increased by $31 million, or 238 per cent, from $13 million to $44 million.

Other special funds

38. The increase in income of $117 million, or 22 per cent, from $527 million to $644 million, was attributed to the increase in funds received under interorganizational arrangements, allocations from other funds, income from services rendered and contributions from staff and the United Nations, at rates ranging from 16 to 69 per cent. Expenditure increased by $125 million, or 27 per cent, from $456 million to $581 million. Among the components of expenditure that increased were staff and other personnel costs, acquisitions and claim reimbursements, at rates ranging from 26 to 225 per cent, for a combined amount of $103 million.

39. All other asset accounts increased except for short-term investments, assessed contributions receivable and voluntary contributions receivable. The increase in assets amounted to $133 million, or 23 per cent, from $580 million to $714 million. This was attributed to the increase in the cash pool and other accounts receivable of $67 million, or 20 per cent, and $38 million, or 56 per cent, respectively.

40. Liabilities, however, posted a much higher rate of increase at 154 per cent ($55 million), rising to $91 million from $36 million on account of the increase in both the inter-fund balances payable ($40 million, or 419 per cent) and other accounts payable ($11 million, or 134 per cent). Nevertheless, reserves and fund balances still managed to grow by $78 million, from $544 million to $622 million.

2. United Nations System Accounting Standards

41. The Board assessed the extent to which the financial statements of the United Nations for the biennium ended 31 December 2005 conformed to the United Nations System Accounting Standards. The review indicated that the financial statements were consistent with the Standards.

3. Presentation and disclosure of financial statements

Statement of cash flows

42. In its previous report, the Board was of the view that, in line with International Accounting Standard 7, cash flows from investing and financing activities should be presented in the statement of cash flows under two separate sections, "Cash flows from investing activities" and "Cash flows from financing activities".[6]

43. The Board noted that the Administration used the new structure and content of the statement of cash flows by presenting separately cash inflows used in investing activities from financing activities (see chap. V, statement III), following the structure approved by the High-Level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB) and as appended to the United Nations System Accounting Standards.

Tax Equalization Fund

Tax equalization accounts of Member States

44. The Tax Equalization Fund for the biennium 2004-2005 (see chap. V, statement VIII) showed reserves and fund balances of $109.27 million as at 31 December 2005, representing the cumulative excess of income over expenditure of current and prior financial periods, including adjustments to reserves and fund balances.

45. The Board is of the view that such balances should have been credited against the assessed contributions due from the concerned Member States. As envisaged in financial regulation 4.12, any balance on a Member State's tax equalization account after obligations have been satisfied shall be credited against the assessed contributions due from that Member State the following year.

46. The Board noted that the financial statements did not disclose that the balance in reserves and fund balances was earmarked for crediting against the assessed contributions due from the concerned Member States in the ensuing year.

47. **The Board recommends that the Administration apply the provisions of regulation 4.12 of the Financial Regulations and Rules of the United Nations by crediting the balance of the tax equalization accounts of a Member State**

[6] Ibid., *Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 32.

against the assessed contributions due from that Member State in the following year.

48. The Administration explained that the balance of $97.3 million in reserves and fund balances would be applied only upon the explicit direction of the Member State concerned, citing precedents in that regard. It also explained that the remaining balance of $11.97 million due to other Member States was a timing difference that represented credits that would be adjusted when assessments were issued in 2006.

Financial reporting: differing closing balances

49. One of the characteristics of financial statements as envisaged under the United Nations System Accounting Standards is reliability of financial information, which encompasses accuracy, neutrality and completeness. The financial statements of the United Nations were prepared on the basis of the detailed trial balance by fund type/fund/general ledger (accounts summary) in the Integrated Management Information System (IMIS). The details of general ledger accounts were recorded by fund in the general ledger transaction journal in IMIS.

50. In the review of the financial statements of the Tax Equalization Fund, the Board noted that the closing balances of accounts receivable, the inter-fund account, and the revenue account, as reported in the detailed trial balance, differed materially from those in the total of the respective transactions journal for the posted accounting period 1 January 2005 to 31 December 2005. The variance in accounts receivable amounted to $20.87 million, in the inter-fund account to $186.07 million and in revenue to $36.59 million.

51. In view of the differing balances noted (totalling $243.53 million), the Board could not determine which of the two IMIS reports was free of misstatement. Considering that the details of the transactions in the transaction journal support the account in the trial balance by fund, their impact on the financial statements could not be fully established.

52. The Board noted that differences in closing balances between the detailed trial balance and transaction journal varied when the posted accounting period was changed without changing the closing date. For example, the closing balance of the inter-fund account for the posted accounting period January 2005 to December 2005 was $62.7 million, while the closing balance of the same account for the posted accounting period January 2004 to December 2005 was $69.6 million, or a difference of $6.9 million. It bears emphasis that dealing with the same transactions and opening balances, the closing balances of the account should remain the same at the same closing date despite any change in the opening date.

53. The Administration commented that an enhancement to the IMIS data structure triggered incorrect data in the transaction journal to be selected under certain conditions and that the incorrect data had no impact on the fairness of presentation because financial statements were prepared based on the detailed trial balance by fund type/fund/general ledger account, which did not contain any error. The Administration informed the Board that the patch to correct the logic in the transaction journal had already been applied.

54. **The Board recommends that the Administration strengthen its review controls to ensure that, in the preparation of financial statements, the detailed general ledger account balances agree with the totals of the details of corresponding account balances.**

Outstanding accounts receivable pertaining to income tax advances

55. Under United States law, staff members of the United Nations who are United States citizens and permanent residents are subject to income taxation by the United States of America on their earnings from the United Nations. United States citizens working at United Nations offices located in the United States are also subject to self-employment tax on their United Nations earnings, of which the United Nations reimburses one half of the tax due. Staff members paying United States tax must make estimated tax payments to the tax authorities equal to the lesser of either 90 per cent of the current year's tax liability or 100 per cent of the previous year's tax liability. As stated in paragraph 54 of administrative instruction ST/IC/2004/5, the United Nations assists those staff members in meeting their estimated tax obligations on United Nations income by issuing quarterly tax advances to staff members on request.

56. The Tax Equalization Fund reimbursement scheme is triggered by a request for reimbursement filed by a staff member. Before a claim for reimbursement is submitted, it is the staff member's responsibility to file the required income taxes by the established deadlines. Any amount already paid to the United States tax authorities is deducted from the total amount of tax computed for reimbursement at the end of the fiscal year. As stipulated in staff regulation 3.3 (f), in no case shall reimbursement by the United Nations exceed the amount of income tax paid and payable in respect of a staff member's United Nations income. For staff members who leave the United Nations, any overpayments resulting from the excess of advances already received and the estimated reimbursements owed are deducted from the staff member's final payment. However, at times, the net amount of a staff member's final pay may not be sufficient for tax recovery.

57. In its audit of the Tax Equalization Fund in October 2004, the Board noted accounts receivable in the amount of $63 million as at 30 June 2004, of which $3.16 million corresponded to outstanding income tax advances made during the period from 1997 to 2003 by staff members who had separated from the United Nations, while $1.6 million corresponded to the outstanding income tax advances of active staff members.

58. The Administration informed the Board that for former staff members from which recovery of the tax advances was considered a remote possibility, a standard computation of income taxes is done, referred to as "notional claims". A calculation is done of the tax reimbursement amount that would be due if the former staff member were to submit a claim relating only to United Nations income, using standard deductions according to United States tax laws. The resulting taxes due are booked as an expense, reducing the outstanding tax advance. Any remaining tax advance is then submitted for write-off.

59. In March 2004, the Administration approved the write-off for some accounts of an amount of $394,696 for the tax years 1997 to 1998. With regard to long-outstanding balances of active members, the Administration stated that the amount of $1.6 million pertained to members who had not filed their income tax returns, for

which the Tax Unit could not effect recovery action until the deadline of 15 October 2004.

60. The Board noted that the balance of $3.16 million for tax advances to staff separated from the United Nations was reduced by $2.69 million, or 85 per cent, leaving a balance of $0.48 million as at 31 December 2005. Also, the Administration was able to reduce the $1.6 million in advances from active staff, by $1.0 million ($0.7 million in adjustments and $0.3 million in write-offs), leaving a balance of $0.6 million. The reductions resulted from claims processed for staff members who were late in filing their claims and for reappointed staff members, payments received from staff and payroll recovery, reconciliation of past transactions not reflected in IMIS, a rounding adjustment made in the conversion of tax advances into the new tax system, notional claims (for separated staff only) and write-offs (for separated staff only).

Enhancement of the computerized tax system

61. The computation of the estimated taxes paid by the United Nations to United States tax authorities on behalf of a staff member's tax account and the reimbursement made to a staff member is done on the mainframe system through a separate computerized tax system, interfaced with IMIS in the generation of financial reports.

62. The tax system, in the Board's view, needed enhancement given the limitations of the current interface between the mainframe and IMIS. The Board noted that there were reconciling items for accounts receivable in the computerized tax system not captured in IMIS, inter alia: overpayment recovered; tax claim offset for federal and state tax; corrections; federal advances; timing difference; overpayment of staff members; journal voucher corrections; transfer of identification number; reissued stale cheque; and increase in reimbursement. IMIS recognized all expenditure tax items under the current period including those of prior periods. These conditions necessitated journal vouchers to record or correct the entries in IMIS, and a reconciliation.

63. The Administration commenced the reconciliation in May 2004 and the Board noted that it took considerable time to verify the reconciling items in order to arrive at the adjusted balance. This manual process posed the risk of errors.

64. **The Administration agreed with the Board's recommendation that the Office of Programme Planning, Budget and Accounts, in consultation with the Information Technology and Services Division, monitor closely the enhancements of the new computerized tax system.**

65. The Administration informed the Board that it had been using the new tax reimbursement system (STARS) since February 2005 and that this had resolved a number of issues. The automation could still be improved and the Administration planned to continue enhancing the new system in 2006. However, it was trying to develop most functionalities on the tax system itself rather than the interface with IMIS. This would facilitate the transition from IMIS to a new enterprise resource planning system when implemented.

Central Emergency Response Fund

66. The Secretary-General, in accordance with General Assembly resolution 46/182 of 19 December 1991, established the Central Emergency Revolving Fund, a loan facility designed to help United Nations organizations bridge the gap between urgent humanitarian needs and the receipt of funds from donors. Based on a report of the Secretary-General on the improvement of the Central Emergency Revolving Fund (A/60/432), the General Assembly, in its resolution 60/124 of 15 December 2005, decided to transform it into the Central Emergency Response Fund, which comprised both a grant facility of up to $450 million and a loan facility of $50 million.

67. Fund balances for the loan facility as at 31 December 2005 were $66.9 million, disclosed in statement X and note 10.5 as the Central Emergency Revolving Fund. The grant facility, with a balance of $41.1 million, is disclosed separately in statement VII, schedule 7.1, as the Central Emergency Response Fund. This disclosure is not consistent with the definition of the new Central Emergency Response Fund which, in accordance with General Assembly resolution 60/124, should comprise both a grant and a loan facility.

68. **The Board recommends that the United Nations disclose the Central Emergency Response Fund as comprising both a loan and a grant facility, in compliance with General Assembly resolution 60/124 of 15 December 2005.**

69. The Administration informed the Board that, in furtherance to General Assembly resolution 60/124, the Secretariat was in the process of developing a Secretary-General's bulletin pertaining to the expanded operations of the Fund and its new operating modalities. Thereafter, the financial reporting would be aligned accordingly, as recommended.

Grouping of accounts in the financial statements

70. The Board reviewed the major account grouping of general ledger accounts in the financial statements and observed that deferred expenditures in the amount of $164,589, relating to the three general trust funds (Trust Fund for Disaster Relief Assistance; Afghanistan Emergency Trust Fund and trust fund established to support the activities of the Centre for Human Rights) were presented as part of other accounts receivable instead of other assets.

71. The Board noted that refunds to donors of $598,332 pertaining to accounts of the Economic Commission for Latin America and the Caribbean (ECLAC) were offset from voluntary contributions income instead of being presented as a separate line item after the net excess (shortfall) of income over expenditure. The closing instructions from the Accounts Division for the preparation of the financial statements for the biennium 2004-2005 emphasized that the new general ledger account (Refund to Member States and donors) should be used to account for such refunds and closed to the fund balance at the end of the financial period.

72. **The Administration agreed with the Board's recommendation that it strengthen its review on the grouping of accounts in the financial statements and consider revising the template provided to offices away from Headquarters on the presentation of accounts as regards refunds to donors.**

73. The Administration informed the Board that the template on the presentation of accounts had been revised.

Other accounts receivable

Recovery of accounts receivable

74. The Board noted instances of non-adherence to the provisions of administrative instruction ST/AI/2000/11 whereby overpayments made to staff members shall normally be recovered by means of deductions from salaries, wages and other emoluments under staff rule 103.18 (b) (ii), and of administrative instruction ST/AI/2000/20, whereby travel advances should be recovered through payroll deduction if a staff member fails to submit a travel reimbursement claim, together with the supporting documentation, within two calendar weeks after completion of travel.

Submission of the travel expense claim form

75. The Board is concerned about the delays in the submission by travellers of the travel expense claim form (F.10) after completion of travel, which is not in keeping with the requirements of ST/AI/2000/20 that liquidation shall be done within two calendar weeks after completion of travel. For example, there were six instances of delays in the submission of F.10 forms both in the Department for General Assembly and Conference Management (141 to 208 days) and the Office of the Special Representative of the Secretary-General for Children and Armed Conflict (31 to 204 days).

76. **The Board recommends that the Administration continue to exert more efforts in regard to the submission by the traveller of the travel expense claim form in a timely manner and in trying to recover long-outstanding amounts from former staff members.**

77. The Administration informed the Board that it was mindful of the need for timeliness in the submission of travel claims, and that recoveries were initiated when the delay was unreasonable. Automation of the travel claims process is expected to assist in this regard.

Discrepancy between administrative instruction ST/AI/2000/20 and IMIS user procedures

78. Administrative instruction ST/AI/2000/20 provides that travellers other than staff members (consultants, individual contractors or members of committees) are allowed a travel advance of up to 75 per cent, and that travellers are required to file travel expense claims within two calendar weeks after completion of travel. The Department of Political Affairs adopted section 52.16 of the IMIS User Procedures Manual, which specifies that payment of 80 per cent of the daily subsistence allowance is allowed for travellers other than staff members, and that the traveller is required to file the travel expense form within 60 days of the date of return.

79. While user departments cannot be faulted for complying with the IMIS User Procedures Manual, the Board is of the view that if any inconsistency is encountered between procedures manuals and administrative instructions, the latter prevails.

80. **The Administration agreed with the Board's recommendation that it harmonize the IMIS application procedures and the provisions of administrative instruction ST/AI/2000/20 on the granting of travel advances and the submission of travel expense claims.**

81. The Administration informed the Board that the relevant provisions of the IMIS User Procedures Manual were being harmonized with those of the administrative instruction.

Controls over disbursements

82. In the Department for General Assembly and Conference Management, the Board noted an instance of breakdown in the review control by certifying and approving officers, and in the duplication check mechanism in IMIS, which, if not addressed, will pose risk of errors or misstatement in future payments of the daily subsistence allowance.

83. A payee was issued two different travel vouchers with the same amount and covering the same period of 20 August to 18 September 2005. He was paid an identical amount of $8,250 for each month, or a total of $16,500. IMIS did not reject the second entry with the same payee, amount and particulars.

84. The Department for General Assembly and Conference Management claimed that an amount was paid for a period of 30 days upon the arrival of the payee at the duty station. However, it inadvertently included the period of the first 30 days in the request to the Travel Claims Unit of the Accounts Division, although the request for the daily subsistence allowance was for the next 30 days. The Department commented that the payee had refunded to the United Nations the amount it overpaid.

85. **The Administration agreed with the Board's recommendation that it strengthen its controls in certifying and approving payments on travel advances pertaining to the daily subsistence allowance, and ensure that the functionality in IMIS include controls that reject two separate travel vouchers with the same payee and claim description.**

86. The Administration informed the Board that the recommendation would be pursued in context of the project for automation of travel claims.

Management of advance receivables

87. The Office for the Coordination of Humanitarian Affairs received more income for the Indian Ocean tsunami than it needed for its own purposes. As a result, it decided to award $46.35 million in grants to 49 projects of other United Nations agencies that had not received as much funding as they had requested as part of the flash appeal. These funds were recorded as advance receivables at the time of disbursement. In 2005, the Office received financial reports pertaining to 5 of the projects, which indicated total expenditures of $1.88 million (the corresponding allocations amounted to $4.50 million). However, the Office did not reflect these expenditures in the 2004-2005 accounts because it only processed the reports in March and May 2006. As a result, receivables and expenditures were overstated and understated, respectively, by $1.88 million.

88. **The Board recommends that the Office for the Coordination of Humanitarian Affairs ensure that, as far as possible, expenditure is recorded in the correct financial period.**

Reimbursable meetings and conferences

89. The Department for General Assembly and Conference Management rendered services on meetings that were outside the approved calendar of conferences. The programme budget did not allocate resources for such meetings, hence, reimbursements to cover costs were made by the requesting agencies. A total of $1.55 million received as reimbursements for 19 conferences and meetings was credited to expenditure for the biennium 2004-2005 (see table II.2).

Table II.2
Details of reimbursements by organizational unit and object of expenditure
(In millions of United States dollars)

Organizational unit	*Object code description*	*Amount*
Office of the Assistant Secretary-General for Conference Services	Office furniture and equipment	0.495
Interpretation Service	Temporary assistance for meetings	0.520
Reproduction Service	Internal reproduction supplies	0.384
Interpretation Service	Travel on appointment and separation (Professional)	0.077
Office of the Assistant Secretary-General for Conference Services	Temporary assistance for meetings	0.073
Interpretation Service	Temporary assistance for meetings	0.003
Total		**1.552**

90. Rule 103.6 (a) of the Financial Regulations and Rules of the United Nations provides that reimbursements of actual expenditure incurred within the same financial period may be credited to the accounts against which they were originally charged. Owing to the absence of a tracking record of actual expenditure incurred for a particular meeting or conference, the Board could not determine whether the object of expenditure as shown in table II.2 was originally charged with the same amount reimbursed. The Board is concerned that the Department may not be able to assess whether it has fully recovered the costs incurred relative to the services it rendered for meetings and conferences outside the calendar, in view of the absence of a tracking system to monitor the actual and imputed expenditure associated with every meeting serviced.

91. The Department informed the Board that the amount pertained to the costs of reimbursable meetings and conferences charged to its client offices and external entities, calculated on the basis of a costing system in place and not on the actual expenditure incurred, as envisaged in rule 103.6 (a). It added that the determination of the actual costs associated with a particular meeting or document would lead to

an administrative burden and uncertainty as to whether all costs had been appropriately captured since the Department did not have a cost-accounting formula.

92. **The Board recommends that the Administration develop a system to record the actual expenditure associated with servicing reimbursable meetings and conferences serviced by the Department for General Assembly and Conference Management.**

93. The Department informed the Board that, in resolution 59/275 of 23 December 2004, the General Assembly had requested the Secretary-General to report on the feasibility of the application of cost-accounting principles in the United Nations Secretariat. Since the cost-accounting principles are to be implemented Secretariat-wide, the Department would implement the tracking of actual expenditures as soon as the cost-accounting system was in place.

Deferred charges

94. In accordance with paragraph 41 of the United Nations System Accounting Standards and financial rule 106.7, obligations established prior to the biennium to which they pertain shall be recorded against a deferred charges account. Deferred charges were recorded only for UNA fund, in the amount of $0.94 million.

95. The following amounts related to multi-year contracts should have been recorded as deferred charges: $13,217 for contract number 04-589 and $43,730 for contract number 01-500, or a total expenditure of $56,947 as regards UNA fund; and $200,000 for contract number 05-676 as regards FSB fund.

96. **The Administration agreed with the Board's recommendation that the United Nations Office at Vienna record all obligations covering multi-year contracts as deferred charges.**

Unliquidated obligations

Technical cooperation activities

97. The Board, in its previous report, encouraged the Administration to continue to review unliquidated obligations so as to ensure that invalid obligations are cancelled.[7] The Board noted that prior years' unliquidated obligations of technical cooperation projects, as shown in statement VI, had been reduced by $2.64 million (50 per cent), from $5.24 million as at 31 December 2003 to $2.6 million as at 31 December 2005. The Board encourages the Administration to continue to review unliquidated obligations so as to ensure that obligations that are no longer valid are cancelled.

Completed and inactive projects with unliquidated obligation balances

98. While there was a decrease in unliquidated obligations in technical cooperation activities, the Board observed that, as at 31 December 2005, the Department of Economic and Social Affairs still reported unliquidated obligations for 45 completed (as at 31 December 2004) and inactive (as at 31 December 2005) projects, in the amount of $0.43 million.

[7] Ibid., para. 41.

99. The Administration commented that, in view of a written agreement between the Department of Economic and Social Affairs, the Accounts Division and the United Nations Development Programme (UNDP), unliquidated obligations dating back to 2003 were retained, arguing that a firm liability still existed because charges covered by inter-office vouchers were still anticipated from UNDP. According to the Administration, a general review was implemented and a determination was made to retain the 2003 unliquidated obligations in order to record anticipated inter-office vouchers from UNDP offices.

100. **The Administration agreed with the Board's recommendation that unliquidated obligations in technical cooperation activities be monitored on a continuing basis and the obligations fully liquidated upon closure of the 2006 accounts.**

Supporting documentation

101. Unliquidated obligations of the Trust Fund for Disaster Relief Assistance rose from $22.4 million at the end of 2003 to $40.0 million at the end of 2005, a 79 per cent increase. During the same period, unliquidated obligations of the Trust Fund for Strengthening the Office of the Emergency Relief Coordinator nearly quadrupled, from $1.5 million to $5.8 million. The Trust Fund for Tsunami Disaster Relief, created during the biennium 2004-2005, accumulated $5.3 million in unliquidated obligations in 2005. According to the Administration, this growth was mainly caused by the introduction by UNDP of the Atlas system in 2004, the increased level of activity after the Indian Ocean tsunami, the South Asia earthquake, African humanitarian issues and inflationary tendencies.

102. The field expenditure of the Office for the Coordination of Humanitarian Affairs is managed by UNDP, in accordance with a memorandum of understanding signed on 22 July 2003. Its offices draw up cost plans for each year, which are approved by its Geneva headquarters. Geneva headquarters then sends financial cables to UNDP field offices to allow them to spend up to the level of the cost plan on behalf of the Office's field offices. Upon approval of the cables, the Office records an expenditure equal to the total budget and a corresponding unliquidated obligation. It also records a receivable that corresponds to the amount of the advance, in an amount equal to the budget, paid to UNDP on account of each field office. This is recorded as an advance receivable (debit) when the cash is transferred. Upon receipt of the expenditure report from UNDP in the form of an electronic inter-office voucher, the Office's Geneva headquarters is required to debit unliquidated obligations and credit (reduce) advance receivables. This accounting treatment does not facilitate the reconciliation of field expenditures between the Office for the Coordination of Humanitarian Affairs and UNDP. It may also lead to overstating the amount of expenditure and unliquidated obligations at the end of the biennium.

103. When the 2004-2005 accounts were closed, the Office for the Coordination of Humanitarian Affairs had not processed $21.2 million of electronic inter-office vouchers, representing expenditure from July to December 2005. UNDP had not yet provided to the Office its report on the national staff payroll ($5.7 million), or the information on expenditures not included in the initial vouchers ($8.0 million). UNDP field offices had also not responded to queries from the Office's Geneva headquarters, which led to the suspension of crediting of $3.6 million of

unliquidated obligations (and the corresponding debiting of disbursements). Unliquidated obligations which could not be explained by the Office amounted to $7.3 million.

104. As a result, the assurances that the Board could obtain on $45.8 million of unliquidated obligations managed by the Office's Geneva headquarters were based on unprocessed documentation. Although the total amount appeared in the United Nations accounts as expenditure, unliquidated obligations and receivables, part of the amount should have appeared as expenditure, part as unliquidated obligations and part as receivables from UNDP. Since the Office for the Coordination of Humanitarian Affairs had not been in a position to process the documentation before the closure of the accounts, the Board could not determine what proportion of the total constituted each category.

105. **The Board recommends that the Office for the Coordination of Humanitarian Affairs liaise with the United Nations Office at Geneva to process urgently the supporting documentation for pending unliquidated obligations and record them as disbursements, as appropriate.**

Payables to funding source

Inter-office vouchers between United Nations and UNDP

106. In its previous report, the Board recommended that the Office of Programme Planning, Budget and Accounts, in conjunction with UNDP, reconcile the discrepancy of $22.43 million between the books of the United Nations and UNDP and make the necessary adjustments in the accounts to reflect the accurate balance of payables due to funding source in the financial statements.[8] The Board noted that the Administration had exerted efforts which made the reconciliation with UNDP possible.

107. The Administration informed the Board that, after further examination, the difference of $22.43 million as at 31 December 2003 was adjusted because of charges relating to the Geneva headquarters of the Office for the Coordination of Humanitarian Affairs, and the final difference was determined to be $26.18 million. It indicated that extensive and all reasonable efforts had been made by the Administration and UNDP to identify correctly all of the items that comprised that difference. Nevertheless, owing to the age of the items, complete documentation was not always available, and reliance was placed on ancillary records.

108. The various components were analysed at length by both UNDP and the United Nations, and the final breakdown of the difference was resolved. Of the $26.18 million, UNDP absorbed $9.09 million, while the United Nations absorbed $17.09 million which was then reduced by $0.12 million, to $16.97 million. Of the $16.97 million, the United Nations had already recorded a total of $8.57 million in 2004 and 2005, which was done on a continuous basis as and when individual inter-office vouchers were resolved and processed.

109. The Administration informed the Board that most of these charges were due to a timing difference in processing the charges through the liquidation of obligations.

[8] Ibid., para. 36.

110. The remaining $8.40 million had to be recorded in 2005 in order to consider fully the results of reconciliation. Accordingly, an additional $2.61 million was charged against the United Nations regular budget in the fiscal year 2005, and recognized in volume I of the United Nations financial statements for the biennium 2004-2005, and $5.79 million was charged to peacekeeping accounts for 2006, to be recognized in volume II of the financial statements.

UNDP clearing account

111. Notwithstanding the closing instructions issued by the Accounts Division for the preparation of the 2004-2005 financial statements, whereby regular review and reconciliation was required of all payroll-clearing accounts because they should reflect zero balances at the end of the posted accounting period, the Board again observed a long-outstanding balance of $0.24 million in United Nations Headquarters and UNDP-related accounts as at 31 December 2005. The Board is concerned about the delay in clearing the UNDP-related transactions as the balance pertains to the biennium 2002-2003 and no settlement was made in the biennium 2004-2005.

112. The Administration informed the Board that a policy decision was made in the biennium 2000-2001 to make payroll disbursements for UNDP technical cooperation staff from general funds instead of the UNDP sub-fund (i.e., United Nations as agency — indicative planning figures (IPF)) in order to minimize United States dollar holdings in non-United States dollar bank accounts. This required certain workaround entries that were not carried out in the period prior to the transition from the previous system to IMIS.

113. **The Administration agreed with the Board's recommendation that it continue to clear long-outstanding United Nations Headquarters and UNDP-related accounts and transactions, in coordination with the offices concerned.**

Expendable and non-expendable property

114. As disclosed in note 11 to the financial statements, the value of non-expendable property increased from $243.1 million in 2003 to $298.4 million in 2005. Acquisitions for the biennium 2004-2005 amounted to $123.4 million, property written-off amounted to $0.4 million and dispositions and other adjustments amounted to $67.7 million. The Board evaluated the reasonableness of the balance of non-expendable property as at 31 December 2005 and noted the following deficiencies in recording, maintenance of property records and reporting of property:

(a) The Administration valued its 1,490 items of property at a symbolic $1 or zero value, which primarily consisted of audio-visual equipment (66 per cent) and electronic data-processing units (24 per cent). Items of a similar nature with the $1 or zero value in the property report were assigned higher values. The Facilities Management Service commented that the responsibility of assigning asset values rested with the individual substantive departments, which were repeatedly requested by the Service to assign proper asset values. The exercise had not been completed thus far owing to the volume of data. The Accounts Division continued to emphasize the importance of expedited valuation of the remaining items;

(b) The value of non-expendable property in the inventory report included items unlocated or not accounted for in the total amount of $23.45 million, while it excluded the unknown value of 22,403 items physically counted. The Board is of the view that there is a need for the Administration to maintain its inventory report by fairly treating these items in accordance with the relevant regulations and rules;

(c) No property records were maintained by the property records custodian (Department of Political Affairs, Economic and Social Commission for Asia and the Pacific and Asia Pacific Centre for Agricultural Engineering and Machinery (ESCAP-APCAEM)). There was no record of property accountability of staff owing to non-issuance or renewal of personnel property receipts (Department of Political Affairs, Department of Public Information, Department of Economic and Social Affairs, ESCAP-APCAEM, ESCAP Centre for Alleviation of Poverty through Secondary Crops Development in Asia and the Pacific (ESCAP-CAPSA), ESCAP-Asia and Pacific Centre for Transfer of Technology (ESCAP-APCTT), International Research and Training Institute for the Advancement of Women (INSTRAW), ECLAC in Trinidad and Tobago, ECLAC in Mexico, ESCAP headquarters); acquisitions were not included or recorded in the inventory control system (ESCAP headquarters, International Civil Service Commission (ICSC)); there were no data on item specifications (e.g., cost or value, location, name of end-user) and incorrect item specifications (e.g., wrong bar coding of property value) (Facilities and Commercial Services Division, ESCAP-APCAEM, United Nations Office at Nairobi, Department of Political Affairs, Department for General Assembly and Conference Management); locations of property were different in the records of the Facilities Management Service and the property records custodian, as well as in the Procure+ program (Department of Public Information, Department for General Assembly and Conference Management); there was misclassification of property items/special items/group items — furniture (Facilities and Commercial Services Division, ESCAP-APCTT, ECLAC in Trinidad and Tobago, ECLAC in Mexico, Department of Economic and Social Affairs, Department for General Assembly and Conference Management); and there was a variance in balances of inventory records (INSTRAW);

(d) No physical counts were conducted to monitor the existence of property items (ESCAP-APCAEM, ESCAP headquarters, International Civil Service Commission); property items were unaccounted for or missing and unlocated, or their existence could not be established (Department for General Assembly and Conference Management, Department of Political Affairs, Department of Economic and Social Affairs, ESCAP-APCAEM); property items were assigned wrong bar codes and/or incompletely labelled (Department for General Assembly and Conference Management, Department of Economic and Social Affairs, ESCAP-APCAEM); there was no proper training for property custodians in the use of Procure+ software (Department of Political Affairs); items for disposal or unserviceable items of property were not monitored, as evidenced by misclassification, non-reconciliation of the records of the Facilities Management Service with the offices and non-reporting of items for disposal (Department for General Assembly and Conference Management, ESCAP-APCAEM, ECLAC in Trinidad and Tobago, United Nations Office at Nairobi); accountability for separated, reassigned or transferred staff members was not monitored (Facilities and Commercial Services Division);

(e) An inventory report was not in accordance with ESCAP requirements (ESCAP-APCAEM); items of property existed but were not included in the inventory report (Department for General Assembly and Conference Management, Department of Economic and Social Affairs); a certification by the property custodian of the review of the inventory report was done (Department for General Assembly and Conference Management).

115. The Administration informed the Board that management of non-expendable property was delegated to each department or office at United Nations Headquarters and at the offices away from Headquarters. Given the importance of proper reporting of non-expendable property, the Administration stated that it would step up its efforts to coordinate with concerned offices to achieve better reporting of non-expendable property. Under its delegated authority, the Facilities Management Service is responsible for the oversight of the central inventory of non-expendable property at Headquarters.

116. The Administration also informed the Board that it would continue actively to advise, train and coordinate with the concerned departments to ensure timely and accurate recording, monitoring and reporting of non-expendable property. It emphasized that the accuracy of the recorded values of non-expendable property was an issue that could only be addressed through the substantive offices.

117. **The Administration agreed with the Board's recommendation that the Office of Programme Planning, Budget and Accounts, in coordination with the Facilities Management Services, improve the recording and maintenance of property records to ensure fair valuation of non-expendable property in the notes to financial statements.**

118. The Board noted that physical inventories had still not been conducted at the Geneva offices of the Economic Commission for Europe (ECE), the Office for the Coordination of Humanitarian Affairs and the Office of the United Nations High Commissioner for Human Rights (OHCHR). Although physical inventories were performed in 14 other departments serviced by the United Nations Office at Geneva, the property records custodian did not sign seven reports.

119. **The Administration agreed with the Board's recommendation that it ensure strict adherence to the provisions of administrative instruction ST/AI/2003/5 when carrying out physical inventories.**

120. The Administration informed the Board that a physical inventory of non-expendable property of OHCHR was conducted in April 2006, in accordance with the provisions of administrative instruction ST/AI/2003/5.

121. The Board noted that the value of non-expendable property at the United Nations Office at Geneva was understated because numerous items were not recorded in the inventory. Although the Inventory Unit had located 748 works of art and labelled 559 of them, they were not recorded in the official inventory. The United Nations Office at Geneva explained this absence by the difficulty of their valuation. For the same reason, none of the books or documents at the Library of the United Nations Office at Geneva had been recorded in the inventory list, and several newly acquired items of equipment for the Security and Safety Section were not in the inventory list.

122. From a sample of 114 items of equipment reviewed, the Board noted that 29 (25 per cent) were not recorded in inventory of the United Nations Office at Geneva, namely, baggage- and people-screening devices valued at $371,000, and 44 weapons valued at $22,000. Donations in kind, such as the clocks at the Palais des Nations valued at $900,000, were also not in the inventory list.

123. Furthermore, the Board noted that the reconciliation of non-expendable property of the United Nations Office at Geneva between the balance reported in the financial statements and the inventory records had not been done. As at 31 December 2005, there was a difference of $8.63 million: $49.63 million was reflected in the inventory report while $41 million was disclosed in note 11 to the financial statements.

124. **The Board recommends that the United Nations Office at Geneva submit accurate, comprehensive and reconciled inventory reports and revise note 11 to the financial statements accordingly.**

125. In its report on the financial statements for the biennium ended 31 December 2003, and in reference to note 11 to the financial statements as at 31 December 2003 which disclosed total non-expendable property at the United Nations Office at Vienna to be valued at $6.62 million, the Board noted some discrepancies, including the absence of a physical inventory.[9]

126. Although the Administration agreed with the Board's recommendations that the Office of Programme Planning, Budget and Accounts, in conjunction with offices away from Headquarters, ensure the timely submission of correct and complete inventory reports, no physical inventory had been conducted at the United Nations Office at Vienna as at 31 December 2005.

127. **The Board recommends that the United Nations Office at Vienna plan and conduct physical inventories.**

128. While the Administration informed the Board that it did not consider it necessary to conduct inventories of items assigned to individuals, who are held accountable for their safe custody, such a view is inconsistent with the fundamental accounting principle that assets disclosed implies their physical existence, which assertion can only be backed up by a physical count. In addition, administrative instruction ST/AI/2003/5 requires the periodic conduct of a physical inventory of non-expendable property, without exception.

129. The inventory report of the Office for the Coordination of Humanitarian Affairs in New York disclosed 802 items with a total value of $1.02 million, of which 216 items worth $280,653 (27.5 per cent) were shown in the inventory report as "not found" while another 65 items, valued at $48,581 (0.5 per cent) had either already been disposed of or returned to stock.

130. The Board's review of the management by the Office of its non-expendable property at its field offices in Indonesia, Sri Lanka and Thailand indicated a number of shortcomings, including incomplete inventories, values of some items not recorded, and items that could not be located or accounted for.

131. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs improve the management**

[9] Ibid., para. 44 (a).

and recordkeeping of non-expendable property at its field offices in Indonesia, Sri Lanka and Thailand.

4. Liabilities for annual leave, end-of-service benefits and post-retirement benefits

132. In its previous report, the Board recommended that the Administration review the funding mechanism for end-of-service and post-retirement benefit liabilities.[10] The Administration had proposed funding mechanisms for its estimated liabilities for after-service health insurance (in 2004-2005, $2.1 billion) but had not explored funding mechanisms for its liabilities for accrued annual leave and other termination benefits which, as at 31 December 2005, were estimated to be between $218 million and $228 million.

133. The funding strategy for after-service health insurance, as proposed by the Administration (see A/60/450 and Corr.1), is as follows:

(a) Annual funding for the long-term:

(i) Continue with current funding arrangements for health benefit costs relating to current retirees with amounts appropriated from section 32 of the regular budget;

(ii) Establish a charge equivalent to 4 per cent of salary costs on all budgets to be applied against the cost of salaries paid to staff;

(iii) Utilize unspent balance of final appropriations, if any, under the United Nations regular budget;

(iv) Utilize the excess of actual miscellaneous income over budget estimates, if any, under the United Nations regular budget;

(v) Utilize the savings in liquidation of prior periods obligations;

(b) One-time funding of $350 million, comprising:

(i) Transfer of $250.0 million in unencumbered balances from fiscal year 2005 and savings on cancellation of prior period obligations under peacekeeping operations;

(ii) Transfer of $25.0 million from the authorized retained surplus of the United Nations regular budget;

(iii) Transfer of $43.0 million of income from the medical and dental reserves;

(iv) Transfer of $32.0 million from the Compensation Fund.

134. In addition to the funding strategies proposed to the General Assembly, the Administration sought authority for the full recognition of the liability for after-service health insurance in the financial statements. As disclosed in note 12 (a), the United Nations has not specifically recognized liabilities for after-service health insurance costs or liabilities for other types of end-of-service payments.

[10] Ibid., para. 47.

5. Trust funds

135. Trust funds are classified into two major categories: general trust funds and technical cooperation trust funds. General trust funds are established to support any activities except those which are exclusively of a technical cooperation nature, and are used to enhance or expand the work programme of one or more organizational units of the Secretariat, or for humanitarian relief purposes to provide direct assistance in respect of emergency situations. Technical cooperation trust funds provide economic and social development assistance to developing countries.

Inactive trust funds

136. In its previous report, the Board reiterated its recommendation that the Administration take action to review trust funds whose purposes had long been attained in order to identify and close those that were inactive and no longer required.[11]

137. In April 2006, the Board noted that, of the 63 inactive trust funds with combined reserves and fund balances of $54.1 million reported in the Board's previous report,[12] only 29 had been closed during the biennium 2004-2005.

138. The delay in the closure of trust funds whose purposes had long been attained, as discussed by the Board in its reports for previous bienniums, continued into the biennium 2004-2005. The Board noted that 35 trust funds with combined reserves and fund balances of $27.5 million as at 31 December 2005 did not show any expenditure for the biennium 2004-2005 except for transactions pertaining to the investment and related accounts, as compared with 63 in the biennium 2002-2003 (see annex III to the present report). Of the 63 inactive trust funds in the previous biennium, 18 became active during the 2004-2005 biennium as they carried transactions related to voluntary contributions received, and 29 were closed. The remaining 16 inactive trust funds represented funds which were either kept open due to infrequent activity or were being considered for closure.

139. The Administration informed the Board that it had authorized a working group to undertake a review to identify and close inactive trust funds with a similar or identical purpose to others; this had contributed to the closure of 29 funds and 20 sub-accounts.

140. At the Department of Political Affairs, seven trust funds with total reserves and fund balances of $1.72 million due for closure on 31 December 2005 remained open as at April 2006.

141. The Administration explained that there were no due dates for the closure of trust funds since they were subject to ongoing review. However, in a reply dated 31 October 2005 to the management letter dated 22 September 2005, the Department informed the Board that, in accordance with the provisions of action 24 of the report of the Secretary-General entitled "Strengthening of the United Nations: an agenda for further change" (A/57/387 and Corr.1), an effort was made, in cooperation with the Office of Programme Planning, Budget and Accounts, to propose the closure of the seven trust funds by 31 December 2005.

[11] Ibid., para. 52.

[12] Ibid., para. 50 and annex II.

142. **The Board reiterates its recommendation that the Administration expedite the closure of long inactive trust funds.**

143. At the end of the 2001-2002 biennium, OHCHR had a cumulative surplus amounting to $303,035 on inactive trust funds. OHCHR had proposed to donors a transfer of the unused balance to the Voluntary Fund for the International Decade of the World's Indigenous People. Some donors agreed quickly, and a first transfer of $183,605 reduced the surplus at the end of 2003 to $136,115. In 2004, one donor was refunded $31,006. A total of $105,109 was transferred to the United Nations Voluntary Fund for Indigenous Populations but not to the aforementioned Fund, as agreed with the donors in 2003.

144. **The Office of the United Nations High Commissioner for Human Rights agreed with the Board's recommendation that it utilize the unspent balances of closed trust funds, as agreed with the donors.**

Financial reporting: closure of accounts

145. In compliance with financial regulation 6.5, the Secretary-General, in his transmittal letter dated 31 March 2006, submitted to the Board volume I of the financial statements of the United Nations for the biennium 2004-2005, after the accounts were closed on 31 March 2006. The Board, however, noted that, after the final closure of accounts on 31 March 2006, the Administration reopened the accounts in IMIS for the posted accounting period December 2005 (pre-closing) to record material transactions involving about $20 million, with posted dates from 1 to 7 April 2006 covering the period December 2004 to December 2005 (pre-closing).

146. The Board subsequently tested the recording of transactions with posted dates beyond 7 April 2006 and noted that transactions involving about $2.8 million with a posted date of 17 April 2006 and pertaining to the United Nations Crime Prevention and Criminal Justice Fund were also recorded under the period January 2004 to December 2005 (pre-closing).

147. The Board is concerned that the posting of additional transactions after the established cut-off date of 31 March following the end of the financial period indicates that reviews prior to the closure of accounts were not adequate.

148. The Administration commented that the accounting period December 2005 (pre-closing) had been closed and financial statements had been prepared for submission to the Board. Some transactions that were reflected in the financial statements but not approved in IMIS as at 31 March 2006 had been approved in IMIS by 7 April 2006. However, after the statements were submitted, an error was discovered with respect to the financial statements for general trust funds, and a correction was considered necessary. Therefore, the period December 2005 (pre-closing) was exceptionally reopened to record the necessary adjustments, and the related financial statements were accordingly revised and resubmitted to the Board on 25 April 2006.

149. In order to obtain assurance, an extract of all transactions recorded in IMIS after 1 April 2006 was provided to the Board in respect of the biennium 2004-2005. The Administration ensured that all changes made in the IMIS records were reflected in the revised financial statements for the biennium 2004-2005.

150. The Administration confirmed that these transactions were recorded under a controlled environment and were accurately recorded in the revised financial statements.

151. **The Board recommends that the Administration perform a thorough review of transactions as at the date of closure of accounts following the end of financial period.**

Responsibility of reporting the accounts of two trust funds

152. The United Nations Office at Vienna maintained the accounts for two trust funds related to the Crime Prevention and Justice Fund, which were part of the United Nations Office on Drugs and Crime: the United Nations Crime Prevention and Criminal Justice Fund (IMIS code FSA) and its sub-account (IMIS code FSB). Expenditure of these two trust funds amounted to $17.52 million. This situation did not fairly reflect the true financial situation and activity of the United Nations Office on Drugs and Crime, and was not in line with paragraph 25 of the United Nations System Accounting Standards (i.e., all income and expenditure of the organization, whatever the source of funds, should be reported), even if the United Nations Office on Drugs and Crime is part of the Secretariat of the United Nations.

153. **The Board recommends that responsibility for reporting the revenues and expenditure of the United Nations Crime Prevention and Criminal Justice Fund and its sub-account be transferred to the United Nations Office on Drugs and Crime.**

154. The Administration informed the Board that as the two funds were managed by the United Nations Office at Vienna, it considered that the United Nations Office on Drugs and Crime had complete knowledge of the financial situation and activity of the funds. With respect to the recommendation on transferring the funds for reporting in the United Nations International Drug Control Programme financial statements of the United Nations International Drug Control Programme, the issues involved were being researched, so that appropriate recommendations could be made to the legislative bodies.

Fund-raising activities and donor reporting

155. Of the 75 agreements totalling $42.7 million signed in 2003, 2004 and 2005 by OHCHR, 26 agreements were not cleared by the United Nations Office at Geneva. Therefore, OHCHR accepted the funds without such authority. Financial rule 103.4 indicates that, in cases other than those approved by the General Assembly, the receipt of any voluntary contribution, gift or donation to be administered by the United Nations requires the approval of the Under-Secretary-General for Management. This function has been delegated to the United Nations Office at Geneva, not OHCHR.

156. This situation constituted a breach in internal controls. OHCHR reported that it has strengthened its internal controls to avoid the repetition of such breaches.

157. **The Administration agreed with the Board's recommendation that it ensure that the receipt of voluntary funds is approved in compliance with United Nations financial rules.**

Declining income from voluntary contributions

158. For the biennium 2004-2005, of the 10 general trust funds administered by the Department for Disarmament Affairs, 7 incurred a combined shortfall of income over expenditure of $1.4 million which had to be funded from their reserves and fund balances. In the biennium 2002-2003, 6 of the trust funds incurred a combined shortfall of $1.26 million. Most notably, 4 trust funds consecutively incurred a shortfall of income over expenditure from $0.45 million in 2002-2003 to $0.84 million in 2004-2005. Also, 3 of the 10 trust funds incurred a combined shortfall of $0.56 million in 2004-2005 from an excess of income over expenditure of $1.34 million in 2002-2003. The shortfall was primarily caused by the decline in the combined income from voluntary contributions to the 10 trust funds, which fell from $4.92 million in 2002-2003 to $3.74 million in 2004-2005.

159. The Board is concerned that if the Department for Disarmament Affairs were to continue to experience a shortfall of income over expenditure in its trust funds, it may be unable to sustain its efforts to attain the goals and objectives of its programmes. The Board noted that the Department needed to revisit its strategy for addressing the diminishing trust fund resources. The Administration informed the Board that it had successfully convened a seminar for departmental staff on fund-raising, resource mobilization and donor relations on 25 April 2006. It pointed out that donors were disinclined to provide additional funding until and unless the financial resources remaining from their contributions have been utilized, which involves drawing from the reserve balances.

160. **The Administration agreed with the Board's recommendation that it revisit its strategy for raising funds to ensure the sustainability of trust fund programmes.**

161. The Administration informed the Board that, while it agreed to revisit its trust fund strategy in order to increase extrabudgetary support for disarmament and non-proliferation programmes, especially for the United Nations Regional Centre for Peace and Disarmament in Africa, it considered that assessing the sustainability of attaining programme goals and objectives should not only take into consideration the biennial comparison of income and expenditure but also consider the status of reserve balances.

162. The United Nations Interregional Crime and Justice Research Institute (UNICRI) is funded from voluntary contributions from Governments, international organizations and other donors. The implementation of directives and operational priorities started in 2005, as defined by its Board of Trustees in respect of fund-raising, with a view to diversifying its funding sources. However, in spite of the efforts made to implement the directives, concrete outcomes have yet to be achieved. Compared with the previous biennium, 2004-2005 income from voluntary contributions and public donations decreased by 1.5 per cent, although two donors, namely the European Commission and Government of Italy, contributed 79 per cent of the total. Italian ministries alone contributed $6.5 million, or 69 per cent, of the total income recorded by the Institute in 2004-2005 (the same figure as in 2002-2003).

163. **The United Nations Interregional Crime and Justice Research Institute (UNICRI) agreed with the Board's recommendation that it enhance its efforts**

towards diversification of its funding sources, in line with its operational priorities and fund-raising strategy.

164. The technical cooperation strategy of ECE (see E/ECE/1411 and Add.1) was endorsed by the Commission in February 2004. However, it has yet to be associated with a formal and comprehensive fund-raising strategy. An ECE-wide fund-raising framework, which provides an overview of the ECE-wide priority requirements for extrabudgetary funding, has been periodically issued to potential donors and national policymakers since April 2004. Its impact has not been assessed. Few initiatives have been carried out by ECE to promote the fund-raising framework and to raise the visibility of its fund-raising activities, in general.

165. Similarly, the Board found that fund-raising strategies at the divisional level were usually limited to informal meetings with donors and individual contacts between project managers and representatives of member States. In addition, limited interest has been shown in seeking funding agreements and partnerships with the private sector, although both the General Assembly and the Commission have supported such diversification.

166. While explaining that support from the private sector might be difficult to obtain considering the norm-setting activities and regulatory work of ECE, the secretariat indicated that it would consider general United Nations policies on this matter (e.g., the Global Compact) and intended to conduct in the biennium 2006-2007 a self-evaluation of fund-raising activities and an exchange of relevant experience among ECE divisions.

167. **The Board recommends that ECE develop a comprehensive fund-raising strategy, together with appropriate tools for its implementation.**

168. The Administration informed the Board that ECE was committed to undertaking the self-evaluation of its fund-raising activities during the 2006-2007 biennium and, based on the outcome of the evaluation, would decide if an overall fund-raising strategy were necessary and would add value.

Contributions in kind

169. The Board examined a sample of four contributions in kind, representing 70 per cent of the total of $2.8 million of such contributions received by the United Nations Office at Geneva. In the case of the donation to the Office by a watch company of 380 clocks valued at $900,000,[13] together with free repairs and maintenance for 20 years, the basis for the valuation was not clearly established, either by the management or the donor, contrary to paragraph 35 of the United Nations System Accounting Standards. The United Nations Office at Geneva is contacting the clock manufacturer to obtain a written valuation.

170. **The United Nations Office at Geneva agreed with the Board's recommendation that it establish a fair valuation of the donated clocks, in compliance with the United Nations System Accounting Standards.**

171. The Board noted that the Office for Outer Space Affairs organized workshops, meetings and training, and that the Member State hosting the event usually assumed

[13] The agreement with the donor did not mention the value, which was obtained from a letter addressed by the United Nations Office at Geneva to the United Nations Controller.

the costs resulting from local arrangements. No evaluation of these contributions in kind made by host Member States was available.

172. The Office computed the valuation of 2005 contributions in kind using the donor's valuation, and disclosed it in January 2006 in the report of the Expert on Space Applications (A/AC.105/861). Nevertheless, the financial statements of the trust fund did not reflect these contributions in kind (which, for 2005 amounted to $693,100). The Board noted that none of the financial statements of other trust funds at the United Nations Office at Vienna (UNICRI Trust Fund for the United Nations Programme on Space Applications and United Nations Crime Prevention and Criminal Justice Fund and its sub-account) disclosed any information pertaining to in-kind contributions.

173. **The United Nations Office in Vienna agreed with the Board's recommendation that it update the financial statements of trust funds to report significant voluntary in-kind contributions, in compliance with paragraph 35 of the United Nations System Accounting Standards.**

174. During its visits to headquarter and field offices of the Office for the Coordination of Humanitarian Affairs, the Board identified numerous instances of donations in kind that had not been adequately recorded and disclosed, as required by the United Nations System Accounting Standards. For instance, the office in the Islamic Republic of Iran received a vehicle, two tents and a generator in January 2004, but these contributions were neither given monetary values in the office's inventory nor disclosed in the notes to the financial statements.

175. Similarly, the Office for the Coordination of Humanitarian Affairs benefited from 1,800 man-hours provided by a pro bono service provider for upgrading the financial tracking system. However, the value of this service was not disclosed in the notes to financial statements. In Indonesia, the Office received $1.05 million worth of donations in kind that were also not recorded.

176. In addition, the Office for the Coordination of Humanitarian Affairs benefited from multiple donations in kind made by 24 donors during the biennium 2004-2005 for the United Nations disaster assessment and coordination programme, the International Humanitarian Partnership, the International Search and Rescue Advisory Group and for training sessions of the virtual On-site Operations and Command Centre. These were not valued and disclosed in the financial statements.

177. **The Board recommends that the Office for the Coordination of Humanitarian Affairs review its recording procedure for in-kind assistance and disclose all material in-kind donations as income, in compliance with the United Nations System Accounting Standards.**

178. The Administration informed the Board that its recommendations in paragraphs 170, 173 and 177 above referred to a common policy issue for which the Office of Programme Planning, Budget and Accounts would be establishing, in the current biennium, procedures to be followed by all departments.

Contributions receivable

179. Contributions receivable increased from $43,399 as at 31 December 2001 to $297,762 as at 31 December 2003, and to $3.3 million in unpaid pledges as at

31 December 2005. OHCHR has collected only part of the unpaid portions, and was expecting clarifications from donors concerning the balances from previous years.

180. **The Office of the United Nations High Commissioner for Human Rights agreed with the Board's recommendation that it improve its procedures as regards the collection of funds from donors.**

Reserves and fund balances

181. From 31 December 2003 to 31 December 2005, total reserves and fund balances increased by 27 per cent, from $41 million to $52 million, representing more than one year of expenditure of OHCHR trust funds. The increase of the surplus reached $6.7 million. This increase was due either to difficulties in implementing projects with pending grants (United Nations Voluntary Fund for Victims of Torture) or to the increase in income (contributions to the trust fund to support the activities of the Centre of Human Rights increased by 29 per cent in comparison to average income over the preceding two years).

182. In its 2005 annual appeal, OHCHR explained the surplus by the necessity to ensure continuity of activities, for which it targets a minimum carry-over of $15 million each quarter to cover delays in obtaining pledges.

183. **The Office of the United Nations High Commissioner for Human Rights agreed with the Board's recommendation that it monitor its fund-raising in respect of its needs assessment.**

Submission of reports

184. The Board, in its previous report, recommended that the Administration ensure that substantive offices submit progress reports for ongoing projects and terminal reports for completed projects in a timely manner, and that ECLAC maintain project expenditure within the authorized allotments.[14]

185. Except for the non-incurrence of overexpenditure at ECLAC, the Board still noted gaps in the implementation of procedures in the management of trust funds in some substantive offices and one regional commission, as follows:

(a) At ESCAP, there were no terminal reports for three completed technical cooperation projects with total reserves and fund balances of $23,000, which was not in keeping with the requirement of the ESCAP programme and project management guide, whereby terminal reports should be submitted to the Programme Management Division within one month after project activities have been completed;

(b) Similarly, the Department for Disarmament Affairs did not prepare the substantive progress reports for 2005 for 2 of 10 trust funds (for one of which there was also no report for 2004). The Department has committed to submitting substantive reports, in accordance with Secretary-General's bulletin ST/SGB/188 and administrative instruction ST/AI/284.[15] At the Department of Political Affairs, the late submission (on 18 March instead of by the 31 January 2005 deadline) by

[14] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 56.

[15] A substantive report for 2005 for one fund has been submitted to the Programme Planning and Budget Division.

concerned substantive offices of progress reports for eight trust funds delayed the preparation of a consolidated report. Also, cost plans for the eight projects, due on 1 November 2005, had not yet been submitted as at 31 December 2005. Such late submission hampered the evaluation of projects and ultimately caused a delay in the release of allotment for the projects.

186. **The Administration agreed with the Board's reiterated recommendation that it ensure that substantive offices submit progress reports for ongoing projects and terminal reports for completed projects in a timely manner.**

Management and reporting of grants

187. From its review of a sample of grants awarded (i.e., all grants for three of nine trust funds), the Board noted that OHCHR did not receive in a timely manner financial reports from the beneficiaries of the grants on the funds allocated, although the agreement stated that reports should be sent at the latest two months after the completion of the activities. For the three trust funds, the financial reports were still to be submitted five months to more than one year after the completion of activities.

188. **The Office of the United Nations High Commissioner for Human Rights agreed with the Board's recommendation that it request the submission of financial reports in a timely manner.**

6. United Nations Fund for International Partnerships

189. The total amount pledged for the implementation of projects by the United Nations Fund for International Partnerships (UNFIP) was $1 billion over a period of 10 years, subsequently extended to 15 years. From the inception of UNFIP on 1 March 1998 to 31 December 2005, a total of $809 million, including co-financing from other funding partners, was allocated to fund 376 projects in 122 countries involving 37 United Nations organizations. The cumulative amount of co-financing from other funding partners stood at $360.4 million, or 44.5 per cent of total approved allocations. In addition, parallel funding provided for the same programmes and projects amounted to $321.9 million.

190. For 2005, the United Nations Foundation approved grants amounting to $170.6 million for 52 projects distributed in four thematic areas and strategic initiatives that had been identified and continue to be of particular interest to the Fund, namely, children's health ($143.5 million), population and women ($2.7 million), environment ($10.1 million), and peace, security and human rights ($3.8 million), as well as projects outside the four thematic areas ($10.5 million).

Submission of financial utilization reports

191. In its previous report, the Board reiterated its recommendation that UNFIP continue to collaborate with its implementing partners with regard to the timely submission of financial utilization reports.[16] The Board recognizes the continuing efforts of UNFIP to collaborate with its implementing partners in order to improve timeliness in the submission of financial utilization reports. Reminders have been

[16] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 62.

formally sent to focal points ahead of the due dates to ensure that they focus on and prioritize the submission of reports.

192. The financial utilization report is one of the mechanisms used by UNFIP to monitor and report the receipt and application of project funds by implementing partners. The report provides detailed information on the project budget, expenditure and uncommitted balance of the budget by project component and budget line from the inception of project through the end of the year and for the six-month period covered by the report. It also serves as a basis for determining cash requirements for replenishment or remittance to implementing partners.

193. Section III of the revised UNFIP financial manual provides that, for ongoing projects, implementing partners submit (albeit unaudited) financial utilization reports covering a six-month period (i.e., semestral) and, continuously, certified or audited annual financial statements and expenditure reports until all obligations are cancelled or liquidated. An agreement was reached during a meeting on 24 July 2002 of focal points of the United Nations Foundation, implementing partners and UNFIP, favouring the submission of the semi-annual or semestral utilization reports every 15 August for the cumulative period ending 30 June, and every 15 February for the cumulative period ending 31 December.

194. The Board reviewed compliance with the above-mentioned reporting schedule, based on lists maintained by UNFIP of the financial utilization reports submitted as at the audit date and noted that, despite the efforts made by management, a significant number of reports had not been submitted by the due dates. Of the 296 reports due by 15 August 2005 for the cumulative period ended 30 June 2005, 91 (31 per cent) were received by the deadline, 63 (21 per cent) were received after the deadline and the remaining 142 (48 per cent) had not been received as at the audit date. Of the 324 reports for the cumulative period ended 31 December 2005, 41 (13 per cent) were received by the deadline of 15 February 2006, 165 (51 per cent) were received after the deadline and the remaining 118 (36 per cent) had not been received as at the audit date.

195. The Board also noted that there were 120 projects with end dates prior to 1 January 2004 that were not yet financially closed. Of these, only 86 financial utilization reports (72 per cent) had been received as at the audit date. UNFIP commented that, in the light of its experience, it planned to revise the requirement for post-completion financial reporting, given that financial utilization reports do not provide the information really needed to close properly out a completed project. UNFIP planned to streamline the reporting for completed projects so that only one certified annual expenditure report was needed following submission of the final financial statements. This revision was intended for projects with unliquidated obligations shown in the final financial statements and expenditure report, and would be needed to report that all obligations are cancelled or liquidated.

196. The Board further noted that disbursements made in 2005, amounting to $2.08 million and pertaining to 12 projects, had not been recorded during the year since the related financial utilization reports were not submitted in time for closure of the books. This had therefore affected the balances of the relevant accounts (advances to implementing partners, and unliquidated obligations) as at 31 December 2005.

197. The Board is concerned that aside from the lack of updated information in the recording of disbursements reported by project implementers, which created distortion in the affected accounts, the failure to submit financial utilization reports on time also adversely affected the efficient implementation of projects since subsequent advances were not released until the financial utilization reports were submitted. Although UNFIP communicates with implementing partners through designated focal points in coordinating field operations and ensuring adherence to UNFIP reporting requirements, the problem of delayed and incomplete reporting could have been addressed in greater detail had UNFIP also been in close contact with the finance staff of the implementing partners and/or country offices.

198. **The United Nations Fund for International Partnerships agreed with the Board's recommendation that it: (a) continue to enforce strict compliance with the timely submission of financial utilization reports, including sanctions, to ensure that relevant and complete financial information on the progress made in regard to projects is generated for monitoring and reporting to the United Nations Foundation; and (b) consider the direct participation or involvement of the finance staff of implementing partners and/or country offices in addressing the financial reporting requirements of the Fund.**

199. The United Nations Fund for International Partnerships advised that both it and the United Nations Foundation declined further requests for cash replenishments for projects that were delinquent in reporting.

Final financial reports

200. The United Nations Fund for International Partnerships has previously agreed with the Board's reiterated recommendation that it enforce compliance with the reporting policy on the submission of final certified and audited financial reports so as to ensure prompt closure in the books of all operationally and financially completed projects, and that implementing partners return promptly all unspent funds of completed projects.[17] UNFIP informed the Board that it had taken steps to strengthen its procedures by way of reminding implementing partners, on 6 May 2005, of its policy in regard to projects that were due for completion in the first half of 2005 and of the requirement to submit the final audited financial statements by the deadline. UNFIP assured the Board that this would be a continuing process.

201. Following the meeting of focal points on 24 July 2002, UNFIP implemented a new policy requiring implementing partners to submit audited financial statements for completed projects on the last day of the ninth month following the close of financial period. The previous requirement for audited financial statements still applied to projects implemented by agencies that were not audited by the Board.

202. The Board evaluated compliance with the above requirements and noted that 313 projects with an aggregate budget of $431.3 million were reported as completed as at 31 December 2005. Of these completed projects, the final, certified financial statements of 241 projects (77 per cent) were due for submission as of that date. By 31 December 2005, 172 (71 per cent) of the projects had submitted such statements, an increase of 18.87 per cent in the compliance rate, compared to the 14.08 per cent reported in 2004. As at 31 December 2005, 53 completed projects with an aggregate unspent cash balance of $3.7 million remained open in the books of UNFIP,

[17] Ibid., para. 67.

comprising 29 projects with end dates ranging from 1999 to 2002 and with unspent balances of $1.07 million, and 15 projects in 2003 and 9 in 2004 with unspent balances of $1.7 million and $0.9 million, respectively.

203. Failure to submit the final, certified financial reports results in the non-closure of accounts and prevents UNFIP from utilizing unspent funds to finance other projects. Moreover, not refunding the unspent cash balances of completed projects results in overstatement of advances to implementing partners and of unliquidated obligations. It also hinders the optimal use of such funds for other equally beneficial projects.

204. **The United Nations Fund for International Partnerships agreed with the Board's recommendation that it intensify its monitoring of the submission of final, certified financial statements to ensure prompt closure in the books of all operationally and financially completed projects and compliance with the Fund's requirement that implementing partners return all unspent funds of completed projects.**

205. UNFIP informed the Board that, in consultation with the United Nations Foundation, it had devoted substantial time and effort to the closure of projects during the audit period, especially those for which final statements were overdue, and that it had, inter alia, developed a closure letter to be addressed to the Foundation, which would be supported by the final narrative reports, financial statements and expenditure reports. According to UNFIP, it would continue its efforts in this regard with a view to eliminating the backlog in 2006.

Final narrative reports

206. In its previous report, the Board recommended that UNFIP, in conjunction with its implementing partners, address the causes of delays in the submission, or the non-submission, of narrative reports on completed projects to ensure the timely availability of those reports.[18] This would support decision-making in regard to the processing of new project proposals and improve further the performance of project execution and monitoring.

207. The final narrative report is a detailed evaluation of whether and to what extent a project has accomplished its purpose, as set out in the project document. It includes, inter alia, an assessment of the sustainability of a project's results and the collaboration among United Nations agencies, donors and other entities, and a statement of lessons learned from both the operational and substantive point of view. The report should be submitted by implementing partners to UNFIP within 90 days following the completion or termination of a project, as required under section III of the revised UNFIP handbook on budget and finance.

208. The United Nations Fund for International Partnerships informed the Board that it had taken steps to strengthen the policies and procedures already in place. UNFIP and its implementing partners had agreed on joint measures to identify in advance the reports that were due in order to assign priority to their completion, given the limited manpower. However, the Board noted that, for the 313 projects completed as at 31 December 2005, 153 reports (49 per cent) were due as of that date. Of those reports, UNFIP received 92 (60 per cent), compared with the

[18] Ibid., para. 70.

112 reports received (59 per cent) of the 191 expected in 2004: a decrease of 20 in terms of the number of reports received, although there was a 1 per cent increase in the rate of actual receipt against reports due for submission.

209. The Fund advised the Board that the process of preparing and clearing the narrative reports, carried out by substantive offices and their respective headquarters, was time-consuming and even more complex in the case of jointly executed projects.

210. The Board observed that there was no time frame set for the submission by substantive units of their narrative reports to their respective headquarters for action, given the required 90-day period for the submission of final narrative reports to UNFIP. The Board considered that setting a time frame for substantive units and agency headquarters to act on the final narrative report would contribute to improved performance in its submission. UNFIP, however, indicated that such an approach could not be adopted since it involved setting timetables that would macromanage agency procedures for the flow of reports from country offices to headquarters. That responsibility currently rested with the focal points, while its responsibility was limited to setting the date by which reports were due for submission to it.

211. The Fund assured the Board that it had been continuously working with focal points to ensure the delivery of final reports due. As agreed during the meeting of focal points in July 2005, the completion dates for projects would be set in the future for June and December of each year so that implementing partners would focus on only two dates, thereby facilitating the submission of final reports and financial statements. However, the policy and modalities for implementing this proposal have yet to be undertaken.

212. **The Board reiterates its previous recommendation that the United Nations Fund for International Partnerships, in conjunction with its implementing partners, address the causes of delays in the submission, or the non-submission, of narrative reports on completed projects to ensure the availability of the information necessary for monitoring ongoing projects and evaluating new project proposals.**

Sunset clause

213. As at 18 April 2006, UNFIP records showed that finalized project documents for nine projects approved by the Board of Directors of the United Nations Foundation in 2004 and 2005 had not been submitted within the 120-day period provided under the sunset clause. The delay in the submission of the documents to UNFIP ranged from 458 to 764 days for projects approved in 2004, and from 200 to 407 days for projects approved in 2005. The reasons for the delay in the finalization of the documents for the nine projects included, among others, multiple funding partners, the length of time needed to secure the approval of the beneficiary country, and project methodology. The programme handbook provides, however, that given the evolution of the United Nations Foundation from a grant-making to a partnership-building organization, which requires the agreement of several other partners before grants can be finalized, the Foundation and UNFIP shall apply the guidelines for application of the sunset clause as liberally as each situation may require.

214. The Board recognizes the efforts exerted by UNFIP to speed up the processing of project documents by the implementing partners, while taking into consideration the factors that contribute to the delay in submission of finalized project documents. However, the Board is concerned that delays in the finalization of project documents affect the immediate commencement of project execution and implementation. It is also concerned that, by not strictly invoking the sunset clause, funds already committed for these projects remain idle until such time as the project grants are withdrawn and new project proposals are submitted for evaluation.

215. The Fund informed the Board that the decision to apply the sunset clause has always been made by management, taking into account all factors on a case-by-case basis. This would fulfil the responsibility of UNFIP to ensure that funding be provided only for projects for which there is a signed project document and a basic implementation agreement or memorandum of understanding with the relevant implementing partner. Moreover, while UNFIP agreed that long gestation periods for project documents tended to tie up approvals, it considered that delays were a function of many variables, some not directly under the control of the agencies. For example, there were occasions when the United Nations Foundation required additional time to review and clear project documents. UNFIP was, however, committed to reviewing the functioning of the sunset clause, as well as its practical operating framework, in the light of the evolving modalities of the Partnership.

216. **The Board recommends that, under certain conditions and in line with the sunset clause, the United Nations Fund for International Partnerships restrict the flexibility it grants to the implementing partners in the submission of finalized project documents.**

7. Write-off of losses of cash, receivables and property

217. In line with financial regulation 6.4 and financial rules 106.8 (a) and 106.9 (a), the Administration provided the Board on 27 April 2006 with details of cash, receivables and other assets written off during the biennium ended 31 December 2005.

218. The combined value of cash, receivables and property totalling $1.55 million written off was $1.40 million (47 per cent) lower than the $2.95 million written off during the biennium 2002-2003 (see table II.3). These write-offs of losses, charged against the accounts of the regular budget, technical cooperation, trust funds and special accounts, comprise those arising from accidents, theft, damage or destruction, and do not take into account factors such as obsolescence and wear and tear, as in previous reports on the write-off of losses.

Table II.3
Assets written off during the biennium 2004-2005
(In United States dollars)

Organization	*Cash*	*Receivables*	*Property*	*Total*
United Nations Headquarters		343 450		343 450
Economic Commission for Asia and the Pacific		2 434	203	2 637
United Nations Office at Vienna		5 209	46 092	51 301
Economic and Social Commission for Western Asia		335		335
United Nations Assistance Mission in Afghanistan	2 683	6 391	718 188	727 262
United Nations Office at Nairobi		189 653	1 010	190 663
United Nations Office at Geneva		96 418		96 418
Economic Commission for Africa		440 501	580	440 901
Economic Commission for Latin America and the Caribbean		494	401	895
Office of the United Nations Special Coordinator for the Middle East		1 354		1 354
United Nations Human Rights Verification Mission in Guatemala			6 063	6 063
United Nations Guard Contingent in Iraq/United Nations Administrative Unit — Baghdad/Iraq Relief Coordination Unit			2 400	2 400
United Nations Military Observer Group in India and Pakistan			330	330
United Nations Truce Supervision Organization			11 784	11 784
United Nations Information Centre			3 478	3 478
United Nations Assistance Mission in Iraq			10 440	10 440
United Nations Tajikistan Office of Peace-Building			44 579	44 579
International Research and Training Institute for the Advancement of Women			9 360	9 360
United Nations Office in Timor-Leste			9 224	9 224
United Nations Office in West Africa Cameroon-Nigeria Mixed Commission			4 294	4 294
Total	**2 683**	**1 085 921**	**458 996**	**1 547 600**

219. Cash written off increased by $185 (7 per cent), from $2,498 for the biennium 2002-2003 to $2,683 for the biennium 2004-2005. As against $1.61 million for the biennium 2002-2003, receivables written off decreased by $0.52 million (3 per cent), to $1.09 million for the biennium 2004-2005. The value of property written off decreased by $0.88 million (7 per cent), from $1.34 million for the biennium ended 31 December 2003 to $0.46 million for the biennium ended 31 December 2005.

8. Ex gratia payments

220. The Administration reported 12 ex gratia payments to the amount of $1.12 million charged against general and related funds during the biennium 2004-2005 in accordance with financial regulation 5.11 and financial rule 105.12. Of this amount, $1.07 million, or 96 per cent, was paid to a third party who suffered injuries during the bombing of the United Nations premises in Baghdad on 19 August 2003.

Recording of ex gratia payments

221. The Board noted inconsistent recording of ex gratia payments in IMIS. Some entries used "other expenditure — international procurement" instead of "ex gratia payments". While the Board was able to establish the reliability of the ex gratia payments, the validation required more time than necessary owing to the inconsistent use of the object code for recording the payments. A total amount of $102,744 was recorded in IMIS under ex gratia payments when it should have been recorded under termination indemnity and compensatory payments.

222. At ECLAC, recorded as ex gratia payments were compensation awarded to a staff member who won an appeal regarding termination of service ($76,000) and compensatory payments to staff members who won appeals on irregularities in the appraisal system and post classifications ($26,744); these should have been recorded under termination indemnity and compensatory payments. ECLAC commented that use of object code 1082 (ex gratia payments) was allowed by the certifying officer on the assumption that the expenditure qualified as such. This was considered as an error of judgement and not an intentional oversight. ECLAC agreed to review closely the usage of object codes in the future.

223. **The Administration agreed with the Board's recommendation that it consistently record ex gratia payments to facilitate their review and to reduce the risk of recording inaccurate information under "other expenditure — international procurement".**

9. Information and communication technology

224. The Board, in its previous report, recommended that the Administration seek further coordination among the various information and communication technology (ICT) boards and steering committees in order to strengthen the governance of information and communications technology on an Organization-wide basis, and ensure that comprehensive, consistent and, ideally, uniform policies were finalized, promulgated and distributed throughout the Organization.[19]

225. The Administration reported to the General Assembly that, since its adoption of resolution 57/295 of 20 December 2002, CEB had made significant progress in establishing the United Nations system's strategic framework for ICT, its elaboration into specific initiatives and projects, including a knowledge-sharing and knowledge management strategy, and initiating the preparation of business case analyses for eight priority initiatives to be implemented by the organizations of the system (see A/60/323).

226. The Administration stated that this work, to which the ICT Task Force also contributed, was being guided by the ICT Network of CEB and an ICT initiative steering group. These eight initiatives were: ICT services sourcing strategy; ICT development network; common applications solutions; knowledge-sharing; enterprise resource planning systems; ICT governance and best practice; business case development and costing; and ICT training.

227. The Board noted that the ICT Network had been able to establish eight working groups for each of the eight priority initiatives, as a result of its assessment of progress made in regard to the priority initiatives and its exploration of ways to

[19] Ibid., paras. 77 and 79.

further the work through increased participation by members of the ICT Network (see CEB/2005/5). In the biennium 2004-2005, the Board reviewed the relevant ICT components, as well as the general and application controls of the Budget Information System and critical processes in Treasury operations.

ICT quality plan

228. Quality assurance ensures that the overall intention and direction of an organization in regard to quality are met and that the quality of the product or service is assured. Its management affects the entire organization right from the start and, if pursued with total dedication, results in an atmosphere of continuous improvement. The Board noted that the Administration was in need of a written or documented quality assurance approach or framework that could be used as a guide in addressing problems of quality and in managing quality to improve overall business efficiency.

229. The Administration reported that, for the biennium 2006-2007, the ICT Quality Assurance and Risk Management Section of the Information Technology Services Division planned to work on specific initiatives for quality assurance in compliance with the International Organization for Standardization (ISO) standard ISO 9001, and that this would complement the ISO 17799 compliance project which was in the process of finalization. This would provide a logical continuum in the approach adopted by the Information Technology Services Division towards standardization throughout the Secretariat (Headquarters and offices away from Headquarters).The ICT Quality Assurance and Risk Management Section also planned to implement fully the Control Objectives for Information and related Technology (COBIT) framework for self-assessment and ICT governance, as well as other industry specific standards that had been referenced for engagement with specific organizational entities, such as Treasury.

230. The Board recognized the efforts of the Administration in establishing its documented policies, standards and procedures on ICT security, business continuity and disaster recovery, software and hardware standards and other related ICT services, as well as the enhancement of the ICT Quality Assurance and Risk Management Section to address assurance and security.

231. Under the COBIT audit guidelines for planning and organization, a written ICT quality plan would contain, inter alia, the targeted level of service to be delivered to users and clients, in clear measurable terms; the targeted maximum outages for each system; the performance statistics required to monitor the targeted performance; and the monitoring or review processes necessary to ensure development, modification or transition in the information technology environment. These can be achieved with the following approaches in particular: determining the scope and timing; reviewing the extent to which new or modified systems have achieved the objectives, reporting on the results; making recommendations to management on system development and effectiveness; periodically following up and reporting recommendations to the appropriate senior management officials; and post-implementation review.

232. **The Administration agreed with the Board's recommendation that it establish a written information and communications technology quality plan, based on the Control Objectives for Information and related Technology (COBIT) audit guidelines for planning and organization, and consider**

customizing the operations in accordance with the standard COBIT quality assurance approach or framework adopted.

233. The Administration informed the Board that the Information Technology Services Division was customizing its operations in accordance with the COBIT standard for ICT governance and quality assurance.

Budget Information System: general controls review

Design and development

234. To provide automated functions which effectively support the business process, the Organization's system development life cycle methodology should provide appropriate procedures and techniques to create the design specifications for each new information system.

235. There were four amendments to the contract for the design, development and implementation of the Budget Information System (BIS) (contract No. C0070-01). In each of those amendments, the maximum contract price was increased. The features and routines necessary to meet the minimum functional and/or effective operational requirements in the software requirement specifications were the subject of those amendments, which should have been resolved prior to the acceptance of the system. The extension of services and the incurrence of additional costs could have been reasonably minimized if adequate procedures and controls had been in place to take the design issues into consideration before proceeding to development.

236. **The Board recommends that the Administration conduct a comprehensive analysis of system development requirements prior to the contracting process to avoid the unnecessary costs that contract amendments may entail.**

237. The Administration informed the Board that the scope of the work covered by the first amendment was specified in detail in the contractor's proposal, which justified the need for the additional features given a lack of detailed information on the technical input in the request for proposal. The second amendment was based on paragraph 9.1 of the first, indicating that an amount of $51,500 was included in the maximum contract price for the optional, post-delivery services of a database administrator. The first amendment also indicated that the United Nations reserved the right to extend the contract for an additional six months, which would be effected by means of an amendment (the basis for the second amendment).

238. The Administration commented that the additional services and enhancements specified in the third amendment did not fall within the scope of work of the original contract, and that such enhancements were subsequently identified and found to be essential to the functioning of BIS. The fourth amendment specified the modules and services for the database administrator, training, business continuity, and desk procedures and manuals.

Documentation

239. System documentation is a key element in an effective information technology organization. In the absence of correct and complete documentation, new users cannot be properly trained, programmers cannot correctly maintain the system, users of the system cannot make any meaningful references to the system's functions and features, an entity cannot understand the system's functions and features, and

reviewers of the systems (e.g., auditors) cannot make an objective evaluation of the system's functions and controls.

240. The Board reviewed the three volumes of the technical design document manual and user and operations manuals of BIS. The Board noted inconsistencies and deficiencies in the description of the modules, functions and steps to be taken; in the definition of budgeting terms; in the procedures for the interface functions and error handling in the process of exporting and importing data; generated control; mismatched reports, after data were read into appropriate table; and descriptions of the procedures to be followed in relation to the use of standard, context and ad hoc reports.

241. The Board is concerned that inconsistencies and deficiencies in BIS documentation may create perplexity among users, resulting in their inability to utilize effectively the System's functions, menus, submenus and fields in the medium and long term.

242. The Administration informed the Board that the technical design document, user and operations manuals were being revised to take into account further modifications and enhancements. It also informed the Board that it had implemented, in 2005, the Board's recommendation that it enhance the three manuals to make them user friendly. All of the manuals had been revised in order to reflect the enhancements that had been put into place with the implementation of BIS version 6.0.0. Additional explanatory notes were added to ensure user friendliness. This information will be validated in future audits.

Monitoring of costs

243. COBIT requires that an analysis be performed of the costs and benefits associated with a system, and that the actual costs of systems as against their estimated costs should be tracked.

244. The Board noted that, except for the determination of functional needs and the proposal of the technical environment and infrastructure, project documents did not show that any cost-benefit analysis was undertaken. The Board also noted that the Administration did not establish and account for the additional costs related to personnel, equipment, supplies and materials provided to the contractor during the design, development and installation of BIS or for the costs of testing following its formal acceptance.

245. As envisaged in the information technology strategy for the Secretariat as a whole (see A/55/780), methodologies in system development would be made available for managers to compare the actual operating costs of the application with its benefits, thus enabling them to determine priorities as regards future developments and support. The Board is concerned that a measurement of whether the new BIS is cost-effective cannot be reasonably undertaken if the cost factor with which to compare the expected benefits is absent.

246. The Administration informed the Board that it followed the structured approach to undertaking a needs assessment and to estimating related costs in the context of the tender and procurement process, which is the essence of carrying out a cost-benefit analysis.

247. **The Administration agreed with the Board's recommendation that it monitor systematically all of the costs attributable to the new Budget Information System as the basis for its continuing cost evaluation.**

248. The Administration informed the Board that all costs were monitored and accounted for in new BIS projects.

Logical access

249. The logical access to and use of information technology computing resources should be restricted by the implementation of an adequate identification, authentication and authorization mechanism which links users and resources to access rules. Security access controls should be in place to safeguard programmes and data against damage, unauthorized access, theft and loss.

250. The Board conducted validation tests on the logical access controls and noted that a wrong user identification and password were entered in two separate instances in which the same prompt message appeared; a password of 4 characters was allowed in accessing BIS while the minimum number of characters required for acceptance in the system must be between 6 and 14; the system allowed four unsuccessful attempts after an incorrect user identification and password were entered, a breach of security controls; there should have been automatic deactivation of the system after a number of unsuccessful attempts to log on; and there was no facility for disconnection of a login session after a period of inactivity.

251. The Board observed that the computer monitor temporarily took time out after a period of inactivity and reopened when any key was struck, showing the same screen that was there before the timeout took place.

252. **The Administration agreed with the Board's recommendation that it implement adequate logical access security controls.**

253. The Administration informed the Board that the recommendation concerning adequate logical access security controls had been implemented in 2005. BIS version 6.0.0 ensured meaningful failure login messages and suspension of login identification after three unsuccessful attempts, and required revalidation of a login password after three hours of idle time. The implementation of those controls will be tested in future audits.

Treasury

Cash management application system

254. United Nations Treasury manages the banking requirements of the United Nations worldwide and ensures that the United Nations avails itself of the competitive banking rates for foreign exchange transactions. It establishes accounts with banking institutions for the receipt of funds and for making payments. Treasury is also responsible for the investment of funds in a secure and reliable portfolio that provides a good rate of return while meeting day-to-day liquidity requirements.

255. Given these complex functions, Treasury was compelled to automate its operations in order to improve its cash management controls. Treasury needed to address the control issues arising from its operations that would bring the quality of

its services to a level equal to, if not better than, the industry standard; hence, in April 2003, it embarked upon the automation of its critical manual processes.

256. **The Board recommends that the Administration complete all of the remaining automation initiatives, set definite timelines for their collective completion and use in production, and ensure that, in developing the attendant applications, control issues are addressed.**

257. The Administration informed the Board that the ICOS project for an integrated treasury system (IMIS, Consolidated Treasury System and Operations Processing and Integrated Control System (OPICS)), begun in the first quarter of 2006, was a major initiative to address payment automation issues in Treasury. It extends the use of the SWIFT (Society for Worldwide Interbank Financial Telecommunications) network to offices away from Headquarters, thereby improving the security and reliability and reducing the costs of payment processing. Resources have been made available and timelines have been established for the completion of the project by mid-2007. One of the major reasons for the automation is the stronger control system that it will provide. Steps will be taken to establish proper automated controls in the system.

258. The Board shares the view of Treasury regarding the importance of an automated cash management system to increasing efficiency, reducing human error and improving financial controls. Treasury has directed its attention to the following: resources for the cash management project have been made available under the regular budget for the biennium 2006-2007 and are also allocated under the peacekeeping support account budget; timelines have been established for the completion of the project by the end of 2006; and adequate dual controls have been in place since the implementation of OPICS in 1995.

Cross-training and backup of staff

259. Control over the information technology process of managing human resources also needs to satisfy requirements for acquiring and maintaining a motivated and competent workforce and maximizing the contributions of personnel to information technology processes. Accordingly, Treasury should provide for sufficient cross-training or backup of identified key personnel, establish succession plans for all key functions and positions, and require personnel in sensitive positions to take uninterrupted holidays of sufficient duration to exercise the Organization's ability to cope with unavailability of staff and prevent and detect fraudulent activity (COBIT audit guidelines for planning and organization, sect. 7.5).

260. The continuous running of Treasury's application systems requires both information technology skills and adequate knowledge of treasury and investment operations. The Board noted that Treasury did not have staff who could provide backup support in case the database manager was unavailable.

261. The weakness of the existing functional set-up was demonstrated (and observed by the Board during its audit in October 2005) when, at one point, OPICS broke down. Treasury attempted to get the system back into operation with the help of the Information Technology Services Division but was unsuccessful. Treasury had to resort to manual operation (workaround), using the Microsoft Excel spreadsheet, which is not customized for a large volume of transactions or for investments that require complicated computations. When normal operations

resumed, Treasury had to re-enter all the data pertaining to the days on which the software application was not working.

262. While the Administration is aware that cross-training in database administration requires a strong technical background, it has no options, given that there are no qualified technical personnel to take on the training. It stated that cross-training would be possible upon approval of a request for an additional technical position in the context of the 2006/07 support account budget for peacekeeping operations.

263. **The Board recommends that the Administration either hire backup staff or devise a way to provide cross-training of United Nations staff in order to ensure business continuity.**

264. The Administration informed the Board that it was currently working with different groups to select staff who can be cross-trained in the Treasury systems, but that it would take some time to get the new staff fully trained.

United Nations Office at Geneva

265. In its reports on the two previous bienniums, the Board recommended that the United Nations develop suitable data-processing tools for cash management in IMIS.[20] This recommendation was not implemented and there are still several independent software programmes used to monitor cash: the Consolidated Treasury System (CTS), IMIS or Microsoft Excel. Therefore, there remains a risk in regard to multiple data captures and to system incompatibility and design.

266. The United Nations Office at Geneva reported that a joint project with Treasury at Headquarters was on course, in which CTS, which was developed by the Office and is interfaced with IMIS, and OPICS (the treasury and capital markets system currently used at Headquarters) would be interfaced and installed both at Headquarters and at the United Nations Office at Geneva. The integrated system (OCIS), which would be extended to all offices away from Headquarters in the future would enable global treasury management of the United Nations as a whole and encompass an automated cash management feature. Phase I of the project — the implementation of ICOS at the United Nations Office at Geneva (OPICS access through Citrix) and Headquarters — was expected to be completed in June 2006.

267. In its previous report, the Board recommended that the United Nations review its treasury operations at offices away from Headquarters, and promptly establish formal guidelines, procedures and investment committees, in liaison with the concerned funds and programmes.[21]

268. The recommendation is still under implementation since the consulting company hired to review the treasury system of the United Nations Secretariat finalized its report only at the end of April 2006. Nevertheless, the Board noted that the Controller, on 30 December 2005, decided that all short-term investments of locally administered funds of the United Nations Office at Geneva would be transferred to Treasury at United Nations Headquarters, with effect from 1 February

[20] Ibid., *Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. I and corrigendum (A/57/5/Corr.1), chap. II, para. 212; and ibid., *Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 208.

[21] *Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 211.

2006, with the exception of the investments for the United Nations Staff Medical Insurance Society against Sickness and Accident.

269. The Board noted that the United Nations Office at Geneva had contracted a consultant to assist in reviewing the internal procedures of its Treasury, aimed at improving internal control and efficiency. Also, an internal cash management review group and an investment review group were established with the aim of improving the Treasury's activities, in particular in respect of cash flow projections (i.e., matching cash requirement with cash disbursement in respective currencies).

270. **The Board reiterates its recommendation that the United Nations develop suitable data-processing tools for cash management.**

271. The Administration informed the Board that automation was to be undertaken. Given the dynamic and emergency-related nature of the operations supported in Geneva, such as those of the Office for the Coordination of Humanitarian Affairs, a few manual interventions would be an unavoidable from time to time. Automation of cash management would require the support of staff trained in operations and computer systems. The introduction of OPICS at the United Nations Office at Geneva, which is an element of the ICOS project (i.e., introducing SWIFT payments to Geneva), could provide the basic tools. However, the full integration of the systems requires additional technical staff and funding. The Treasurer has requested the training of additional staff in OPICS as a key element in achieving the goal of better cash management at all duty stations. Once an adequate number of staff has been trained in the software, it is expected that further enhancements to cash management could be implemented over the ensuing two years.

International Court of Justice

272. At the request of the International Court of Justice, the Board conducted in 2005 an audit of its information technology resources and management. Several weaknesses were identified, some already pointed out during the Board's reviews in 2002 and 2004, such as the absence of a formal information technology strategy or long-term plan in line with the Court's organization and objectives, the lack of knowledge of the cost of its information technology facilities and services, and the inadequacy of project-management methodology and change-management practices.

273. The Board noted that a number of in-house applications had been developed by the Registry of the Court to perform daily administrative and financial functions, including calculation of payroll, and maintenance of annual leave records and address directories, instead of relying on applications and facilities developed by the United Nations (including IMIS). It was, however, too late in the life cycle of IMIS to move to that system. These in-house tools were mainly based on basic desktop applications, such as Microsoft Excel and Microsoft Word. They have not been properly tested and do not meet best practice and international standards requirements, notably in respect of documentation of functionalities, segregation of duties for the creation and modification of data, and control, documentation and authorization of changes in the information recorded, thus putting at risk the integrity and accuracy of data. The Registry was satisfied that those projects had been tested through time.

274. With regard to information technology security and fraud prevention and management, the Court has not adopted international standards on information

security management and has not performed risk assessment and management. A formal backup plan has been established, but a fully fledged service continuity plan has yet to be developed. Misuse of passwords and identity management problems have also been identified, calling for additional information security awareness briefings. In addition, a number of vulnerabilities outside the control of the computerization unit were observed, namely ease of physical access to the Court's building and non-compliance of the computer room and cabling with basic security requirements (protection from intrusion of fire). The Registry explained that these shortcomings were due to insufficient resources at its information technology division. These problems had, however, been addressed.

275. **The Board recommends that the International Court of Justice review and strengthen its management of information technology functions and products, in line with international best practice.**

Additional automated controls in IMIS

276. In its previous report, the Board reiterated its recommendation that the Administration implement additional automated controls, inter alia, blocking the entry of a General Service to Professional category promotion if the data indicating that the staff member had passed the examination had not been validated; extending full control over duplicates to all key data entries instead of limiting it to the initial entry; rejecting implausible entries or posting a warning in such cases; and displaying on the monitor information on the most recent successful login upon validation of access.[22]

277. The Office of Human Resources Management, in close coordination with the Information Technology Services Division, has reviewed the feasibility of introducing additional automated controls, including those suggested by the Board, and has concluded that such changes are possible. The Office is preparing specifications for the additional controls and will be consulting with the Information Technology Services Division in implementing the specifications in IMIS.

278. **The Administration agreed with the Board's recommendation that it facilitate the preparation of specifications and the implementation of additional automated controls in the Integrated Management Information System.**

Consolidation of reports and preparation of financial statements

279. The Board has previously recommended that the Information Technology Services Division and the Office of Programme Planning, Budget and Accounts continuously pursue the automation of the consolidation process in order to ensure the integrity and reliability of financial information and to maximize the benefits derived from the technology available.[23]

280. The Board noted that the Office of Programme Planning, Budget and Accounts was developing a reporting portal (NOVA OPPBA Data Warehouse) which would facilitate the consolidation of financial statements. This data warehouse had been tested by selected users.

[22] Ibid., para. 144.
[23] Ibid., para. 148.

281. **The Board reiterates its recommendation that the Administration ensure that the Information Technology Services Division and the Office of Programme Planning, Budget and Accounts continuously pursue the automation of the consolidation process in order to ensure the integrity and reliability of financial information and to maximize the benefits derived from the technology available.**

282. The Administration informed the Board that it has further developed and utilized reports from the NOVA system for the preparation of the financial statements on trust funds for the biennium 2004-2005.

10. Programme management and results-based budgeting

283. The Board shares the view of Administration that results-based management in the United Nations continues to evolve. The Committee for Programme and Coordination recognized that results-based budgeting in the United Nations was constantly developing in a positive way and confidence was expressed that the quality of future performance reports would reflect the improved quality of programme plans and budgets.[24]

Programme performance evaluation of translation and editorial services

284. The Documentation Division of the Department for General Assembly and Conference Management is responsible for the efficient and timely issuance of high-quality edited and translated written materials. The Meetings and Publishing Division of the Department provides efficient and accurate interpretation and verbatim reporting services.

285. The Department for General Assembly and Conference Management has established a 45 per cent self-revision rate as a translation quality standard, which is determined in the context of the total volume of work, the tightness of the deadline and the ratio of experienced staff to trainees. Translated documents assessed to be within the standard self-revision rate are no longer subject to further review.

286. The quality control of edited and translated documents for the six official languages showed an average self-revision rate of 53.2 per cent in 2004. Although this was 8.2 per cent higher than the standard self-revision rate of 45 per cent, it was lower than the rate of 58.65 per cent accomplished in 2002.

287. To test the linguistic quality of translations, a conference management survey was conducted by the Department for General Assembly and Conference Management among eight governmental bodies and subsidiaries of the United Nations for the period from 5 November to 10 December 2004, on the basis of the following criteria: accuracy as to translations, omissions, additions, shifts of emphasis, facts, figures, quotations, footnotes, references, reference materials provided by the author department, terminology and background information; style as to clarity, straightforwardness, natural and idiomatic language, grammar, spelling and punctuation, in conformity with United Nations editorial guidelines and practice; consistency as to terminology, proper names, identical word combinations, phrases and sentences throughout the document; and format in conformity with the structure of the edited original.

[24] Ibid., *Supplement No. 16* (A/59/16), para. 30.

288. As indicated in table II.4, the 334 responses to the survey showed that the Russian translation obtained the lowest rating in the excellent category (17 per cent) while the Arabic translation had the highest rating in the poor category (12 per cent).

Table II.4
Linguistic quality survey results

	Excellent	*Good*	*Satisfactory*	*Poor*
Arabic	19.51	48.78	19.51	12.20
Chinese	30.00	50.00	20.00	0.00
English	47.83	43.48	8.70	0.00
French	29.85	55.22	10.45	4.48
Russian	17.39	60.87	21.74	0.00
Spanish	28.13	34.38	28.13	9.38
Total	**36.23**	**47.01**	**13.47**	**3.29**

289. The Department commented that the difficulty faced by the Arabic Translation Service has been, and continued to be, the need to develop a standard form of Arabic language for diverse clientele. Since the terminology devised for use in United Nations documents did not always correspond to usage in the different individual national Arabic dialects, a higher degree of dissatisfaction was perhaps inevitable.

290. The Department also commented that the 45 per cent rate of self-revision was established in 1981 not as an optimum or ideal, but rather as the level sustainable or attainable given the staffing structure of the translation services at the time. Those structures (especially as reflected in the ratio of translators to self-revisers and revisers) have changed over the years. The chiefs of service are mindful of the desirable rate of self-revision and strive to keep self-revision to a reasonable level consistent with the need to meet acceptable standards of quality while ensuring the timely issuance of documents in all six official languages. The demographic transition occurring in many of the language services as a result of a large number of retirements and a corresponding influx of new recruits would inevitably result in lower rates of self-revision, since the work of new staff must of necessity be checked and revised by more experienced staff as part of the training process. However, the Department was pursuing the implementation of various information technology tools to enhance quality and consistency in translations.

291. **The Administration agreed with the Board's recommendation that it implement additional measures to reduce further the self-revision rates and pursue the use of various information technology tools to enhance the quality of translations.**

Documentation services: slotting system and submission of documents from author departments

292. During the reform of the Department for General Assembly and Conference Management, the Department made efforts to optimize, integrate and synchronize

the various reform measures and projects, with the aim of achieving full-system benefits (A/59/172). In order to alleviate the chronic documentation problem, the Department adopted a three-pronged approach: control and limitation of documentation; implementation of the slotting system for documentation forecasting and planning to improve submission; and internal adjustments in documentation management to ensure timely processing.

293. In a slotting system, documents are assigned a week-long time slot, based on the scheduled dates of their consideration by intergovernmental bodies. Documents submitted within the time slot would be issued, at the latest, four weeks before they were due for consideration. The aim of the system was to help ease the crisis mode of operation which compels the highly inefficient parallel processing of documents with tight deadlines.

294. In view of the need to improve its documentation procedures, the Department automated the documentation management system, which encompasses the entire documentation process, through e-DOC. Starting from 2004, the Secretariat expanded the slotting system to cover all pre-session documents of intergovernmental bodies. The underlying premise of the slotting system is that more accurate programming and monitoring of the submission of manuscripts by author departments will enhance the predictability of the workload, enable better planning and utilization of the processing capacity of the Department, and ultimately lead to the more timely issuance of documents in accordance with the existing rules.

295. Compliance with the six-week rule for the issuance of documents as mandated by the General Assembly remains the final goal. However, the Department has at the present stage focused on the interim but more practical goal of issuing documents at least four weeks before they are due for consideration by intergovernmental bodies.

296. A sample of 100 documents slotted for the month of August 2004 was tested to determine compliance with the four-week and six-week rules. The Board's evaluation of the slotting system disclosed that for plenary documents, the average delay per document was 11 days based on the four-week rule and 25 days based on the six-week rule. For committee documents, the average number of days delayed was 1 and 16 based on the four-week and six-week rule, respectively.

297. The Department commented that August is perhaps the most difficult time frame for an analysis, considering the significant volume of high-priority work with very tight deadlines during that month. It noted that slotted documents accounted for slightly less than 50 per cent of the total documentation workload. Late adjustments in work programmes of the main committees also required the juggling of priorities, and concomitant delays in some documents were, therefore, inevitable.

298. The Board evaluated the submission of documents from author departments and noted that there was a 4 per cent decrease in the timely submission of documents by the author departments to Documents Control during the first semester of 2004 compared to the same period in 2003, although in terms of issuance, there was an improvement of 15 per cent and 4 per cent based on the four-week and six-week standards, respectively, as presented in table II.5. There was also a decrease of 18 per cent in the timely submission of documents and a decrease of 19 per cent and 9 per cent in the timely issuance of documents based on the four-

week and six-week rule, respectively, in the first semester of 2004 as compared with the second semester of the same year.

Table II.5
Submission and issuance of documents

	(1) Jan.-Jun. 2003		(2) Jan.-Jun. 2004		(3) Jul.-Dec. 2004		(1) vs (2) Increase (decrease)	(2) vs (3) Increase (decrease)
	Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Percentage*	*Percentage*
Total number slotted (pre-session documents)	**475**		**468**		**455**			
Timely submission	318	67	293	63	205	45	(4)	(18)
Timely issuance:								
Four weeks	243	51	311	66	212	47	15	(19)
Six weeks	163	34	180	38	130	29	4	(9)

299. The Department for General Assembly and Conference Management explained that a host of factors had affected performance, such as poor quality, lengthy and late submission of the original manuscripts, inadequate staffing capacity in the processing units, unforeseen and high priority documents, and unanticipated changes in the work programmes of various committees that led to a shifting of priorities. In terms of manuscripts, the Department noted that about one third of the slotted documents in 2004 exceeded existing guidelines on the number of pages. Recognizing those constraints, the Department was to have actively conducted various training courses for manuscript drafters and coordinated its work in that regard with senior officials throughout the Organization in the context of the interdepartmental task force on documentation and with departmental focal points.

300. **The Administration agreed with the Board's recommendation that it assist author departments in enhancing the quality of original manuscripts and strictly enforce the guidelines on the length of manuscripts.**

301. The Administration informed the Board that strict enforcement of page limits and guidelines was an effective means of reducing demand for editorial and translation services, thereby allowing processing units to devote greater attention to ensuring higher quality of their output.

Increased requests for corrigenda

302. Requests for corrigenda doubled from 35 in the biennium 2002-2003 to 70 in the biennium 2004-2005. The percentage of error in the biennium 2004-2005 was 8.8 per cent compared to 4.5 per cent in the previous biennium, or an increase of 4.3 per cent. The Board is concerned that the increased requests for corrigenda could be an indication of the inadequacy of the staff of the verbatim reporting sections to render the needed services. The Department for General Assembly and Conference Management commented that the increase in requests stemmed from those made by the speakers or Member States concerning inclusions or deletions of words or statements, and errors noted in verbatim reports already released.

303. The Department also commented that the 70 corrigenda for verbatim reports were spread out over six languages. The actual number of unique corrigenda was 23. For the corrigenda issued, quite a number were initiated by the verbatim reporting sections themselves for quality control purposes, and as a result of their own editing. The Department is committed to encouraging the verbatim reporting sections to pay more attention to quality in the future at the transcribing and translation stages rather than later in the process.

304. **The Administration agreed with the Board's recommendation that it take appropriate action to strengthen the review of verbatim reports in order to reduce the number of corrections.**

Timeliness of output

305. There were delays[25] in some jobs in the reproduction and verbatim services, ranging from 1 to 125 days from the time they were logged out. The Board is concerned that the delay in the completion of jobs assigned to the reproduction and verbatim services of the Department for General Assembly and Conference Management might contribute to the untimely issuance of the documents or publications. Likewise, documents released to clients or Member States past the due date might result in the loss of their usefulness, laying to waste the time, effort and resources spent on their production.

306. The Department commented that the reasons for the delay in the completion of jobs as against the due dates set for each section were the additional days involved in the return of electronic copies of documents to the designer for correction, the movement of files from offset to digital printing, and the waiting time for the completion of output of other languages for comparison with that of the lead language, which is English. The Department, however, emphasized that due dates and deadlines for documents, in particular for publications and category "c" verbatim reports, were frequently adjusted to give way to jobs with higher priority, and that such adjustments cannot be considered delays.

307. The Department reviews every month a documentation management report on all pre-session documents that have been issued late (e.g., less than six weeks before consideration) or less than one week before the serviced meetings, for which the Department took more than the allotted four weeks to process. The report illustrates actual causes of delays in documentation processing within the Department. The weak inner links identified by the Board which are likely to cause delays will be closely examined by the Documentation Division.

308. **The Administration agreed with the Board's recommendation that it address the internal causes of the delay of various jobs in the Publishing Section and the Verbatim Reporting Service.**

[25] Original due dates were used since there was no available data on revised due dates.

United Nations Office at Geneva

Conference Services Division

309. The Conference Services Division at the United Nations Office at Geneva has enhanced its use of results-based management tools in the definition of specific outputs and results but it lacks tools to measure its performance.

310. The programme performance report of the Division under the integrated monitoring and documentation information system (IMDIS) has no performance indicators. In accordance with the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (see ST/SGB/2000/8), such a report should determine the actual progress made towards achieving expected accomplishments, as measured by the delivery of final outputs, in comparison with the commitments set out in the programme narratives of the approved programme budget (rule 106.1, para. (a) (ii)). The reports presented by the Conference Services Division did not comply with that requirement. There was also no comparison with the previous biennium.

311. Regulation 7.2 of the Regulations and Rules indicates that all activities programmed shall be evaluated over a fixed time period, and rule 107.2 mentions that all programmes shall be evaluated on a regular, periodic basis and that the evaluation system shall include periodic self-evaluation of activities directed at time-limited objectives and continuing functions. Evaluation plans, according to paragraph (b) (iii) of rule 107.2, shall be prepared and shall contain a definition of the purpose of the evaluation and the anticipated application of evaluation findings, the evaluation methodology to be employed, the characteristics of the evaluation, the measures of change (e.g., the nature of the progress and the impact indicators to be employed) etc. However, the Division has no evaluation system. There are also no internal programme-monitoring procedures established by the Division, as required by rule 106.2.

312. **The Administration at the United Nations Office at Geneva agreed with the Board's recommendation that it adhere to the reporting requirements and timely evaluation, in line with the provisions of Secretary-General's bulletin ST/SGB/2000/8.**

Client satisfaction survey

313. According to Secretary-General's bulletin ST/SGB/2000/4 on the organization of the United Nations Office at Geneva, a core function of the Conference Services Division is to carry out consultations with major users of conference resources at Geneva and other duty stations as to the most effective utilization thereof. Also, the need to follow up qualitative performance and assess client satisfaction has been stressed by the General Assembly (resolution 56/242) and in reports of the Secretary-General (A/57/289 and A/59/172). User satisfaction surveys have been specified in the programme budget for the biennium 2004-2005 and the biennium 2006-2007 (sect. 2, General Assembly affairs and conference services).

314. The United Nations Office at Geneva conducted one global survey of conference services between September 2003 and June 2004. A total of 239 questionnaires were distributed to delegates from Member States who attended six

different meetings,[26] of which 134 were completed and collected, representing a response rate of 56 per cent.

315. For the period from March to June 2004, the United Nations Office at Geneva provided conference services to 48 organizations for a total of 671 meetings. The sample of six meetings used for the survey was therefore inadequate to draw conclusions. The surveys also depended on the agreement of the respective substantive secretariats (e.g., a Bonn-based secretariat refused to participate on two occasions). The United Nations Office at Geneva explained that one could not require all participants in the meeting to take part in the survey.

316. The United Nations Office at Geneva has no complaint mechanism and no procedure to report and address clients' claims and needs. The survey did not focus on the quality of output delivered (e.g., publishing, translation, interpretation etc.).

317. **The Administration agreed with the Board's recommendation that the Department for General Assembly and Conference Management, in consultation with the conference divisions and services at all duty stations, establish a common methodology for client satisfaction surveys so that the results of such surveys can be monitored on a periodic basis.**

Conference management

318. The Palais des Nations has 32 conference rooms, of which 23 (72 per cent) have interpretation facilities. The total seating capacity is 9,570. The United Nations Office at Geneva has hosted 472 meetings per room each year. There were 7,613 meetings organized at Geneva in 2004 and 7,188 in 2005.

319. The level of occupancy of the conference rooms is shown in table II.6.

Table II.6
Occupancy rate for conference rooms at the United Nations Office at Geneva

Year	*Very large rooms*	*Large rooms*	*Medium-sized rooms*	*Committee rooms*	*Rooms without interpretation booth*	*Total*
2001	11	45	83	62	50	56
2002	13	29	51	64	53	51
2003	13	37	55	69	50	54
2004	10	34	56	63	51	52
2005	20	41	60	57	43	49

Very large rooms, 1,800 seats; large rooms, 800 seats; medium-sized rooms, 300 seats; committee rooms, 200 seats. The total is calculated by comparing the number of actual meetings with the number of rooms available per year.

[26] Working Group on the Draft Declaration on the Rights of Indigenous People, Geneva, 25 September 2003; Trade and Development Board, Geneva, 7 October 2003; Commission on Human Rights, Working Group on the Right to Development, Geneva, 17 February 2004; Open-ended working group with a view to considering options regarding the elaboration of an optional protocol to the International Covenant on Economic, Social and Cultural Rights, Geneva, 2 March 2004; Commission on Human Rights, Geneva, 6 April 2004; and United Nations Conference on Trade and Development, Sao Paulo, June 2004.

320. The occupancy rate was often average, but decreased over the period 2001-2005. The Division explained that the rate of utilization of conference rooms in respect of large and very large rooms was relatively low since the number of conferences and meetings with more than 800 to 1,000 participants was fairly small.

321. The United Nations Office at Geneva has no plan to increase the rate of utilization of the rooms. It explained that the Palais des Nations would require a capital master plan to make it more competitive with other major conference centres in Geneva and in the rest of Europe, and that it could not accommodate certain meetings because of political or other considerations. The Office does not have specialized staff trained in the marketing promotion of conference services.

322. The Conference Services Division at Geneva considered that it had no specific mandate to increase the rate of utilization of the conference rooms. Stakeholders and international institutions could, however, benefit further from them.

323. **The Administration agreed with the Board's recommendation that it assess the extent to which conference service facilities are surplus to its requirements and consider developing a strategy to utilize its excess capacity.**

Cancelled meetings

324. The Conference Services Division did not monitor the ratio of cancelled meetings, although it stated that the main difficulties in planning were changes to work programmes and cancellations. The Division stated that the cancellations should not be considered a serious matter of concern for the Division since cancellations did not automatically imply a loss of resources or money. The statistics on meeting assignments generated from the Assignment Programme of the Interpretation Service for the period from 5 January to 27 September 2004 show that, of 1,881 scheduled meetings with interpretation, 224 (12 per cent) were cancelled, on average more than one per day. Cancelled meetings often resulted in wasted resources: the standard provision of the contracts for freelance interpreters mention that they are entitled to an indemnity of 50 per cent or 100 per cent of their fee if the appointment is cancelled by the United Nations Office at Geneva more than or within 30 days prior to the appointment. Cancelled meetings also have financial implications regarding précis-writers (Languages Service) recruited specifically for those meetings.

325. The Conference Services Division did not keep track of unmet requests for meetings. This therefore did not allow it to analyse the reasons why such requests could not be met so that it could adapt services to meet actual demand. Such an analysis would also help to provide information to the Department for General Assembly and Conference Management, which has to submit to the Committee on Conferences an annual report on unmet requests. The Division explained that for the few requests that could not be met, it did not consider it necessary to maintain such a record.

326. **The Administration agreed with the Board's recommendation that it seek the cooperation of users with a view to minimizing cancelled meetings.**

Conference centre at the Economic Commission for Africa

327. In paragraph 3 of section II of General Assembly resolution 59/265 of 23 December 2004, the Secretary-General was requested to conduct systematic

follow-up regarding the utilization of conference services by those bodies that consistently underutilize their conference-servicing resources over a longer period of time in order to identify the underlying causes for their being unable to reach the benchmark figure.

328. In paragraphs 11 and 12, the Assembly noted the improvements in the utilization of the conference centre at the Economic Commission for Africa (ECA) and requested the Secretary-General to continue to explore all possible options to increase further the utilization of the conference centre and urged him to sustain the marketing campaign efforts.

329. The conference centre at ECA was completed in 1996 at a total cost of $114.6 million, and is managed by the Conference Coordinating Unit.

330. The operating costs of the centre, the income generated from its utilization and its utilization rate for the period from 2001 to 2004 are provided in table II.7.

Table II.7
Utilization rate
(In United States dollars)

Year	*Income generated*	*Operating cost*	*Difference*	*Percentage of cost recovered*	*Utilization rate*
2001	177 175	1 498 654	(1 321 479)	12	22
2002	238 309	1 260 152	(1 021 843)	19	38
2003	252 593	1 206 220	(953 627)	21	37
2004	130 260	1 895 802	(1 765 542)	7	38
Total	**798 337**	**5 860 828**	**(5 062 491)**	**14**	

331. Based on the data in table II.7, it is evident that the utilization rate of the centre is far below capacity.

Security standards

332. The strict implementation of the headquarters minimum operating security standards has compelled ECA to restrict the utilization of its conference centre to organizations of the United Nations family, foreign representations accredited in Addis Ababa, the African Union, recognized international non-governmental organizations and the Government of Ethiopia. The security standards stipulate that the optimum security strategy shall be implemented through standard physical security measures that focus on rigorous layered perimeter security, coupled with a tight access control system, and that any commercial use of facilities of organizations of the United Nations system which encourages public access shall be avoided when it conflicts with security considerations.

333. The security standards had a direct impact on the income generated from the utilization of the centre since its commercial use was halted. Furthermore, United Nations offices and agencies were only charged 50 per cent of the commercial rate for renting space at the centre. Table II.8 shows the charges to the various users of the conference facility during the biennium 2004-2005.

Table II.8
Service charge policy

ECA divisions	No charge for space
United Nations offices and agencies	50 per cent for space
Non-governmental organizations sponsored by the ECA divisions	25 per cent for space
African Union	No charge for space
Government of Ethiopia	Full charge for space
Rest of market, including private sector etc.	Full charge for space

334. **The Administration agreed with the Board's recommendation that the Economic Commission for Africa, in consultation with United Nations Headquarters, reconsider its service charge policy in respect of discounts given.**

335. The Economic Commission for Africa informed the Board that detailed suggestions relating to the above recommendation had been compiled and were currently awaiting approval by the Executive Secretary.

336. The price list has not been adjusted since 2000. The conference centre conducted a fact-finding mission at the Division of Conference Services of the United Nations Office at Nairobi in November 2004. A market survey was also performed in respect of conference rooms offered by two hotels at which there are conference centres. It was, however, difficult to compare the rates of the centre with those of the hotels since the latter were offering packages which included rooms. Various proposals for improving the centre's organizational structure, operations and charges were being considered by the Executive Secretary.

337. The Economic Commission for Africa acknowledged that there was a need to adjust the price list in force since 2000. A new price list was being considered, as recommended at the retreat on the way forward for conference planning, organized by the Conference and General Services Division on 4 and 11 March 2005. The proposed costing of services took into consideration such factors as running costs, market competition in Addis Ababa and within the region, and the pricing practices of the other regional offices of the secretariat. Moreover, following the model successfully implemented by the Division of Conference Services in Nairobi, it was envisaged to include the labour component, that is, charging all clients for the work-hours (normal working hours plus overtime) of all staff involved in servicing the events. Recommendations made in this regard during the retreat were also being considered by ECA management.

338. **The Board recommends that the Economic Commission for Africa finalize and implement the proposed adjustment to its price list for conference rooms and offices and annually revise the prices accordingly.**

339. The Economic Commission for Africa informed the Board that suggestions relating to the above recommendation had been compiled and were currently awaiting approval by the Executive Secretary.

340. The Economic Commission for Africa explained that there was no incentive for it to improve the utilization rate of the centre and to maximize the revenue earned, since all revenue was currently treated as miscellaneous income and

remitted to Headquarters. The following additional constraints which had impacted on the effective utilization of the Centre were also identified by management: lack of infrastructure and logistical support in Addis Ababa; certain restrictive measures in regard to entry into and free movement in Ethiopia; intense competition with similar conference venues in Kenya and South Africa; intense competition by international hotels in Addis Ababa which offer discounted conference and accommodation packages to attract conferences; and inadequate financial resources to market and boost promotional activities for the conference facility.

341. **The Administration agreed with the Board's recommendation that the Economic Commission for Africa, in coordination with United Nations Headquarters, market the conference centre among Member States and United Nations offices and agencies in order to optimize its utilization. It also agreed with the Board's recommendation that the Commission undertake a feasibility study of the potential usage of the conference centre and present the report to United Nations Headquarters for consideration.**

342. The Economic Commission for Africa informed the Board that a more comprehensive and sustainable marketing strategy must be put in place to attract potential clients to the centre. For this purpose, there was a need for human resources and specific funds to be earmarked for marketing activities. It emphasized that, for any marketing efforts to be successful, the outside world needed to perceive the host country as stable, and Addis Ababa as an enticing city environment. Marketing initiatives targeting United Nations regional representations and regional institutions based in Addis Ababa were ongoing. An action plan had been agreed between centre management and the International Organizations Directorate at the Ethiopian Ministry of Foreign Affairs to undertake joint efforts and harmonize strategies for the efficient marketing of the centre among Member States at United Nations Headquarters and among other potential clients. A market-oriented strategic plan was awaiting approval by the Executive Secretary.

Workload and productivity

343. Conference services workload standards are established by the General Assembly and were most recently revised in the context of the proposed programme budget for the biennium 2000-2001, as follows: one work day for every 1,650 words (translation) or for every 3,960 words (revision). For self-revision, the ratio is one work day for every 1,815 words.

344. If 55 per cent of incoming documents are separately revised and 45 per cent are self-revised, the productivity standard reaches 1,389 words, that is, 4.21 estimated standard pages per working day and per staff member. Actual productivity has fluctuated, as shown in table II.9.

Table II.9
Daily productivity (in words)

	2000-2001	2003-2003	2004-2005	Evolution 2005/2001 (percentage)
Arabic	1 491	1 303	1 372	(8)
Chinese	1 525	1 424	1 480	(3)
English	1 346	1 554	1 285	(5)
French	1 361	1 469	1 430	5
Russian	1 427	1 455	1 412	(1)
Spanish	1 721	1 689	1 725	0
Total	**1 478**	**1 499**	**1 451**	**(2)**

345. Productivity could improve with the introduction of new technologies, which has recently begun at the United Nations Office at Geneva. Computer-assisted translation software was introduced in March 2005. Twenty client licences of MultiTrans were purchased, along 500 Web licences. The tool has been available since August 2005 and the Office considers that it has improved the document archive system by spotting documentation errors, and helped to standardize the format of documents for better alignment.

346. Another tool was voice recognition. Some 70 of 150 permanent translators have been trained. Only two Chinese translators benefited from training in 2003, although the recognition rate is higher for Chinese than for other languages. The United Nations Office at Geneva has been unable to obtain any satisfactory speech-recognition program in Arabic or Russian. Only 20 trained translators of 70 used voice recognition occasionally or continuously.

347. **The Administration agreed with the Board's recommendation that the United Nations Office at Geneva, in coordination with the Department for General Assembly and Conference Management and other conference services, pursue its efforts to develop the use of information technology to increase its productivity.**

Summary records

348. In its previous report, the Board recommended that the Administration facilitate the issuance of summary records in a timely manner.[27] The Department for General Assembly and Conference Management commented that, in 2005, of the total 423 summary records, 43 per cent had been completed, 51 per cent were in the process of publishing and 6 per cent were in the translation or text-processing sections. All summary records of the sixtieth session and resumed fifty-ninth session of the General Assembly were completed by 31 March 2006.

349. **The Administration agreed with the Board's reiterated recommendation that it facilitate the issuance of summary records in a timely manner.**

[27] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 193.

Disproportion between actual output and resource utilization

350. In its previous report, the Board recommended that the Administration review its system of allocating resources.[28]

351. While the Board does not dispute the fact that servicing the Conference on Disarmament and its subsidiary bodies is a mandated activity and the Administration is therefore required to allocate appropriate resources, what remains unclear is the rationale for spending almost all, if not the whole of, the appropriation provided for a particular subprogramme, despite the fact that some of its programmed outputs have been terminated. This situation was observed in the three branches within the Department for Disarmament Affairs but the gap between physical and financial accomplishments was most pronounced in the case of multilateral negotiations on arms limitation and disarmament, where the allotted amount of $2.35 million was entirely spent during the biennium 2004-2005, although approximately 50 per cent of its programmed outputs had been shelved or terminated.

352. The Administration commented that, given that servicing the Conference on Disarmament remains a mandated activity, the Department for Disarmament Affairs is required to include it in its planned outputs in the proposed programme budget and accordingly allocate the required resources. Given that the programme budget is prepared 15 months in advance of every biennium, the Department was neither in a position to predict whether the Conference on Disarmament would be able to reach agreement on a programme of work, nor to prejudge the outcome of the negotiations of the Conference on Disarmament on the matter. It has been the practice of the Department to share staff resources across subprogrammes in implementing a priority mandated output, such as a major conference or event. In addition, staff members from other subprogrammes are also assigned on a temporary basis to assist the relevant substantive subprogramme in servicing meetings of various groups of governmental experts on disarmament issues.

353. **The Board encourages the Administration to continue to review its system of allocating resources in the context of subsequent cancellation of programmed outputs.**

Programmatic coordination

354. The Economic Commission for Africa was established as the regional arm of the United Nations in Africa. It is mandated to support the economic and social development of its 53 member States, foster regional integration and promote cooperation for Africa's development. ECA is organized around six substantive programme divisions (Development Management Division, Economic and Social Policy Division, African Centre for Gender and Development, Development Information Services Division, Sustainable Development Division and Trade and Regional Integration Division), and five subregional offices which contribute a subregional perspective to the work programme and support outreach. ECA is undergoing a repositioning of its strategic direction owing to the slow economic growth rate in Africa, and as part of the United Nations reform process. This repositioning was endorsed by the ECA Conference of African Ministers of Finance Planning and Economic Development in May 2006.

[28] Ibid., para. 196.

355. The Economic Commission for Africa serves as a policy advocate, engaging in critical development issues to encourage the initiatives and reforms necessary for achieving economic and social advancement in Africa. Its advocacy is focused on internal as well as external constituencies. In Africa, it involves the promotion of sound policies and the dissemination of good practice in economic and social development. An important part of its advocacy work is fostering regional cooperation and integration, by helping member States to strengthen intraregional linkages and to establish and strengthen subregional organizations and institutions.

356. The Economic Commission for Africa plays a critical role in helping to build consensus around key African development challenges and in articulating common African perspectives and positions which then form the basis for engagement with the international community. To help design and implement policies and programmes aimed at meeting clearly defined development goals, ECA provides technical assistance and policy advice to African countries and the regional economic communities. That assistance is delivered through a variety of means, including on-demand regional advisory services, training workshops and seminars, and fellowship and internship programmes.

357. The regional economic communities are the main clients of ECA at the subregional level. ECA and its subregional offices work with the main regional economic communities and their subsidiaries to harmonize membership, strengthen policy and build the technical capacity to pursue regional integration.

358. The United Nations Development Group is an instrument of United Nations reform, created by the Secretary-General in 1997 to improve the effectiveness of United Nations development activities at the country level. The Group brings together the operational agencies working in the area of development. The group is chaired by the Administrator of UNDP, on behalf of the Secretary-General.

359. The United Nations Development Group develops policies and procedures that allow member agencies to work together and analyse country issues, plan support strategies, implement support programmes, monitor results and advocate change. It focuses on improving the efficiency of the resident coordinator system.

360. The resident coordinator system encompasses all organizations of the United Nations system dealing with operational activities for development, regardless of their formal presence in the country. The system aims to bring together the various United Nations agencies to improve the efficiency and effectiveness of those activities at the country level. Resident coordinators lead United Nations country teams. Working closely with the national governments, resident coordinators and country teams advocate the implementation of policies and programmes derived from the mandates of the United Nations, drawing on the support and guidance of the entire United Nations family. The resident coordinator chairs the United Nations country team. Such teams are composed of representatives of the United Nations funds and programmes, the specialized agencies and the other United Nations entities accredited to a given country.

361. A United Nations country team was established in Ethiopia, with the head of UNDP as the Resident Coordinator. The Director of the Office of Policy and Programme Coordination was the representative of ECA in the country team. The country team held regular meetings, at least once a month, but ECA did not participate in all meetings.

362. The Economic Commission for Africa informed the Board that this was due to capacity constraints and the lack of a policy framework for participation, especially in sectoral operational activities at the country level. This was being addressed as part of the ongoing reform of ECA.

363. Accordingly, ECA played a limited role in compiling the common country assessment and the United Nations Development Assistance Framework for Ethiopia. ECA is currently more involved in coordinating efforts with the African Union and the New Partnership for Africa's Development (NEPAD).

364. Limited substantive cooperation has taken place between ECA and UNDP over the past few years. ECA informed the Board that it had requested the Joint Inspection Unit to review this matter. Collaborative activities were to be enhanced under the new reorientation, which emphasized greater levels of operational partnership at the country level.

365. The Economic Commission for Africa also informed the Board that the main constraints to effective inter-agency coordination were the lack of effective communication among agencies and clear guidelines on how to coordinate efforts at a regional level. While formal structures were in place between ECA and other United Nations agencies for deliberating on possible areas of regional cooperation, they were not being effectively utilized. There were various areas in which the United Nations country team and ECA could work together.

366. The lack of effective inter-agency coordination would have an impact on service delivery as efforts could be duplicated and projects not implemented, monitored and evaluated in the most cost-effective manner.

367. The Economic Commission for Africa further informed the Board that the annual regional consultative meetings currently served as the main coordinating mechanism for United Nations agencies working in Africa. ECA carried out its activities in support of NEPAD through a cluster arrangement, working closely with the African Union, regional economic communities and the NEPAD secretariat. One way of strengthening the existing coordination mechanism was to develop clear guidelines to promote joint planning and synchronization of work programme cycles and priorities, with due regard to the comparative advantages and expertise of each agency.

368. **The Administration agreed with the Board's recommendation that the Economic Commission for Africa, in consultation with the other regional commissions, United Nations Headquarters and the United Nations Development Group, develop policies and guidelines to foster regional inter-agency coordination among the United Nations agencies. The Board also recommends that the Economic Commission for Africa participate in all United Nations country team meetings, which serve as a platform for sharing information and hence would minimize the risk of duplication of effort.**

369. The Economic Commission for Africa informed the Board that the planned strengthening of the subregional offices would enhance its participation in the United Nations country team and United Nations Development Assistance Framework processes.

Cooperation with other international organizations

370. In 2003, the secretariat of the Economic Commission for Europe (ECE) had identified no fewer than 86 organizations that work in the same areas of activity that it does, along with 193 activities in which ECE was not the only organization to intervene.[79] While the ECE reform emphasized the need to strengthen cooperation with other organizations active in the region, at the time of the Board's audit, the ECE website listed only 15 agreements or memorandums of understanding establishing a division of tasks with those organizations. Two more have been signed since the 2005 audit and two others are under consideration. The absence of such formal arrangements with a majority of the organizations created a risk of overlapping activities.

371. The Economic Commission for Europe considers that the risk of overlapping activities is limited given the long-standing working arrangements with its major partners, and that a formal agreement is not necessary when there is long-standing, regular and well-functioning cooperation. It also considers that agreeing on a memorandum of understanding is a time-consuming exercise and it restricts formal agreements to cases in which there is a risk of duplication and a need to forge mutual commitments as regards a clear division of tasks. However, given the limited number of memorandums of understanding, there is no assurance that ECE has addressed the risk in all significant cases.

372. **The Administration agreed with the Board's recommendation that the Economic Commission for Europe formalize its cooperation and agreements in relation to the distribution of tasks when there is a risk of its activities overlapping with those of other international organizations.**

373. The Administration informed the Board that it would formalize new cooperative agreements with other international organizations when both parties deem it desirable and where such formal agreements would have added value.

Agreement with the International Road Transport Union

374. Under the auspices of ECE, the Transports internationaux routiers (TIR) functions in accordance with the TIR Convention of 1975. In 1999, to strengthen the implementation of the Convention, the Contracting Parties established a supervisory organ, the Executive Board (TIRExB), and a TIR secretariat.

375. The operations of the Executive Board and the TIR secretariat are financed through a local technical cooperation trust fund managed at the United Nations Office at Geneva by ECE. According to annex 8, article 13, of the TIR Convention, the operation of the Executive Board and secretariat shall be funded through a levy on each TIR carnet distributed by the international organization, for the time being the International Road Transport Union (IRU), until such a time as alternative sources of funding are obtained.

376. The Administrative Committee for the TIR Convention determines the amount of the levy and the procedure for its collection, following consultations with IRU. The annual budget and cost plan are approved by the Administrative Committee

[79] See the note by the Executive Secretary on cooperation and coordination with other organizations, submitted to the Commission at its fifty-eighth session in 2003 (E/ECE/1404 and Add.1).

which, based on IRU forecasts on the number of carnets to be distributed during the following year, determines also the value of the levy[30] required for the operation of the TIR Executive Board and secretariat. In accordance with the agreement (arts. 3 and 4) between ECE and IRU, IRU shall then transfer the requested amount to the ECE trust fund to pre-finance the budget for the following year, the pre-financing being recovered during the year by the collection of a levy on each carnet distributed by the organization.

377. By applying its own budgetary procedures and deciding on the value of the levy to be collected irrespective of the value decided by the Administrative Committee, IRU contradicted the provisions of the TIR Convention and the agreement with ECE, which stipulate that the amount of the levy is decided upon by the Administrative Committee. Besides, since no adjustment is made a posteriori to the amount transferred to ECE in advance of the year, in order to take into account the amount actually collected, it is more than likely that the total income generated from the distribution of carnets differs from the amount paid to ECE, and consequently that IRU would either keep for itself resources that were due to the TIR trust fund, or finance TIR-related operations from its own funds. Both cases constitute a breach of the TIR Convention and the agreement between ECE and IRU.

378. As disclosed in table II.10, IRU provided a summary analysis of amounts paid and collected during the period from 1999 to 2004, showing that, overall, the balance in favour of ECE amounted to SwF 275,224 (or approximately $225,000 at the United Nations operational rate of exchange of May 2006).

Table II.10
Summary of amounts paid to ECE and amounts collected by IRU from the issuance of TIR carnets during the period from 1999 to 2004

Date of payment	*Amount transferred to ECE (United States dollars)*	*Amount transferred to ECE (Swiss francs)* [a]	*Levy per TIR carnet (Swiss francs)*	*Amount collected from TIR carnets (Swiss francs)* [b]	*Year's balance (Swiss francs) (A)-(B)*
November 1998	698 880	984 023	0.40	937 600	46 423
November 1999	500 000	753 500	0.40	1 133 040	(339 540)
November 2000	600 000	1 063 560	0.30	812 385	251 175
November 2001	450 000	752 535	0.30	928 560	(176 025)

[30] At its forty-first session, held on 1 June 2006, the Administrative Committee considered the issue of the relevance of the term "levy" used in annex 8, article 13, of the TIR Convention, considering that it could be ambiguous, as it was very often used in relation to tax measures, whereas the collection of funds, as referred in annex 8, article 13, should be regarded as a compensation for costs incurred by the TIR Executive Board and secretariat. The Committee requested the secretariat to obtain the opinion of the Office of Legal Affairs of the United Nations Secretariat on that issue. However, for sake of simplicity and pending issuance of the opinion of the Office and possible amendment of the TIR Convention in that regard, the Board will continue to use the term "levy", without prejudice to the actual legal status of the income so collected.

Date of payment	Invoices transferred to ECE (United States dollars)	Amount transferred to ECE (Swiss francs)[a] (A)	Levy per TIR carnet (Swiss francs)	Amount collected from TIR carnets (Swiss francs) (B)	Yearly balance (Swiss francs) (A)-(B)
December 2002	685 300	1 020 137	0.30	989 400	30 737
November 2003	737 000	1 008 437	0.30	963 315	45 122
November 2004	305 000	417 331	0.30	0	417 331
Total 1999-2004	**3 976 180**	**6 019 524**		**5 744 300**	**275 224**

Source: IRU audited financial statements dated 30 March 2005 (TRANS/WP.30/AC.2/2005/17, annex).

[a] Based on the exchange rate applied by IRU at the date of payment.

379. Further amendments to the TIR Convention and agreement between ECE and IRU in respect of the financial aspects of the transfer of funds by IRU to ECE were discussed by the TIR Administrative Committee at a meeting held on 1 June 2006. Among other issues, the establishment of a system for the final assessment of the funds collected by IRU at the end of the forthcoming year, based on the submission of data, audited in accordance with United Nations approved standards, on the total number of TIR carnets distributed, in combination with a well-defined procedure dealing with any deficit/surplus in regard to the funds already transferred (see ECE/TRANS/WP.30/AC.2/2006/3) is under consideration by the Administrative Committee.

380. **The Board recommends that the Economic Commission for Europe and the International Road Transport Union review the practical arrangements of the agreement between the two organizations with a view to abiding strictly by the provisions of the TIR Convention.**

381. While ECE agreed with the recommendation, it informed the Board that ECE must take into account the decisions of the TIR Administrative Committee, and that it could not speak on behalf of IRU.

382. As stated in annex 8, article 13, to the TIR Convention, the aforementioned financial arrangements, based on the collection of a levy on TIR carnets distributed, were established in 1999 on a provisional basis, and funding through the United Nations regular budget or an alternative source was envisaged after a two-year trial period. As at May 2006, this expectation did not materialize and no other funding sources have so far been identified, although the issue has been considered on several occasions. Therefore, the Contracting Parties to the TIR Convention have requested ECE to continue with the agreement between it and IRU.

383. Following its 2005 audit, the Board recommended that a comprehensive internal audit of the implementation and impact of the agreement between ECE and IRU, including a review of the long-term outlook. The requested audit was carried out in March and April 2006, but the outcome has yet to be communicated to the Administration.

384. **In the light of the conclusions of the internal audit, the Board recommends that the Economic Commission for Europe reassess the relevance of continuing its agreement with the International Road Transport Union.**

Development Account

385. In the programme budget for the biennium 2004-2005, the appropriations for the Development Account managed by the Department of Economic and Social Affairs amounted to $13.07 million. The Board noted that progress reports for 2005 pertaining to projects funded by the Development Account, which were due as at 31 January 2005, were not yet available as at the time of the Board's audit in April 2006. Delay in the submission of progress reports precludes programme managers from immediately assessing the extent of implementation of projects funded from the Development Account and in addressing unfavourable deviations, if any, in a timely fashion. The Department agreed to take the necessary measures to strengthen internal procedures to ensure compliance with the timelines established in the guidelines for the Development Account for the submission of progress reports.

386. The Board noted that, in a first draft of a project document of ECA, there was no discussion of the lessons learned from the implementation of the previous project prior to the implementation of the new project on enhancing knowledge-sharing to support the poverty reduction process in Africa. The Department of Economic and Social Affairs commented that project managers are requested to incorporate lessons learned from previous activities in similar areas and highlight how they have been used, and would continue to implement this on an ongoing basis. Regarding the specific ECA project, it commented that the final version of the project document approved by the programme manager specified the lessons learned from ECA projects and from projects of other entities in the same area.

387. The Department of Economic and Social Affairs recognized the importance of maintaining accurate information on all Development Account projects in IMDIS, in which updating continues to be a concern and a priority. Accordingly, it developed a website that provides details on all 90 projects, which encompasses the logical framework and financial implementation data for all projects and achievements.

388. **The Administration agreed with the Board's recommendation that it ensure that programme managers observe the timelines for the submission of annual Development Account progress reports so that the benefits of well-timed reports can be realized and, in the formulation and revision of project documents take into consideration the lessons learned in the implementation of previous projects, in line with the guidelines set for Development Account projects.**

Self-evaluation of subprogrammes

389. The Board noted the absence of periodic self-evaluation reports by programme managers (of each subprogramme), which should have provided an assessment of the quality and relevance of the outputs of each subprogramme and their usefulness to users, an analysis of the extent to which the objectives of the programme had been attained and of the impact of the totality of subprogrammes implemented in the context of the programme, and the identification, in the light of such findings, of other possible designs for the programme, that is, alternative subprogrammes that might be considered in order to improve performance in attaining the programme objectives.

390. The Board viewed the statements of results achieved, as well as lessons learned or areas needing improvement in IMDIS as, in many cases, skewed towards

a summary of accomplishments rather than evaluation results. Notably, the sections on legislative review, external and internal evaluation for all subprogrammes of the Department of Economic and Social Affairs, remained unfilled. The Office of Internal Oversight Services noted that quite a few programmes had entire evaluation reports attached to their records in IMDIS. In many cases, the content of those reports were not properly factored into the rather concise accomplishment statements in IMDIS.

391. The apparent lack of emphasis placed on self-evaluation may deny subprogramme managers a first opportunity to spot shortfalls in subprogramme implementation, and to propose and initiate any necessary mid-course corrections identified during the process.

392. **The Board encourages the Administration to: (a) continue its efforts to emphasize self-evaluation as a priority; (b) set uniform standards for the conduct of self-evaluation; (c) set timelines and monitor consistently the conduct and prompt submission of self-evaluation reports by subprogramme managers; and (d) conduct training that would enhance the understanding of programme managers of the value and techniques of self-evaluation.**

Workplans

393. The Strategic Communications Division of the Department of Public Information has prepared communications workplans for 2004 and 2005 in the context of the biennial programme budget. In addition, United Nations information centres are required to prepare annual workplans of their own, taking into account departmental priorities and local communications concerns. The Board noted that 19 of the 63 United Nations information centres (30 per cent) did not submit their workplans in 2004. In 2005, 16 of the 63 centres (25 per cent) did not submit them, contrary to the direction in administrative instruction ST/AI/2002/3 that the development of a departmental or office workplan prior to the beginning of the performance cycle would provide the foundation for work unit plans.

394. The Information Centres Service of the Strategic Communications Division informed the Board that it issued monthly reminders to the offices concerned and, in addition, was posting the status of submission of some reports on StratCom, an internal communications tool accessible to all information centres, in an effort to improve reporting compliance. In addition, the Service planned to take into account the timely submission of workplans in the next annual performance appraisal of senior staff of the information centres. It was also exploring ways to streamline reporting in the future, which may also help to address the issue.

395. The Board noted that ESCAP-APCTT also did not prepare a financial and workplan for 2004 in relation to its programme of activities. ESCAP-APCTT commented that a work programme that was results-oriented, clearly focused on and more efficient in using available resources had been drawn up during the strategic planning workshop held in April 2004, and approved by the Governing Board in November 2004. The workplan based on this work programme was, however, drawn up for implementation in 2005.

396. The programme of work of the Office of the Special Representative of the Secretary-General for Children and Armed Conflict for 2004 contained only the objectives, activities, non-quantifiable expected outputs and results and estimated

core budget costs. There was no information as to specified time frame, resources and performance indicators, which were important components in evaluating the accomplishments of the Office.

397. **The Board recommends that the Administration ensure: (a) the submission of workplans by the United Nations information centres in line with administrative instruction ST/AI/2002/3; (b) that the Economic and Social Commission for Asia and the Pacific-Asia and Pacific Centre for Transfer of Technology facilitate programme monitoring; and (c) the workplan of the Office of the Special Representative of the Secretary-General for Children and Armed Conflict contained the specified time frames, resources, performance indicators, linkages and quantifiable expected outputs and results to facilitate effective monitoring and evaluation of its accomplishments.**

398. The Administration informed the Board that workplans for ESCAP-APCTT are included in the institutional support document.

399. The workplan of OHCHR for the biennium 2005-2006 set out objectives, such as that of ensuring the effective integration of human rights in the work of the Security Council and the General Assembly, the United Nations Development Group and a number of other entities. While understanding the complexity of its tasks, the Board noted that there were no measurable outputs and no indicators of achievement for these objectives against which progress and results could be measured. There were also no schedules of final outputs for 2004-2005 and 2006-2007 in IMDIS.

400. Concerning activity reports, OHCHR provided 2005 workload statistics for 61 items in the following main categories: representation; mainstreaming; external relations; communications and information; secretariat services and management; and administration and reform. These categories did not exactly cover the focus areas of the workplan. The Office was quantifying each indicator and category, based upon electronic (calendar) work records for the preceding 18 months. These reports constituted a valuable track of the Office's works and constraints. There was, however, no activity report comparing results to objectives. It was therefore neither possible to assess the Office's performance nor to evaluate whether or not resources were sufficient to meet the Office's objectives.

401. **The Office of the United Nations High Commissioner for Human Rights agreed with the Board's recommendation that it prepare workplans with measurable and quantified objectives and report annually on their implementation so that its performance can be measured.**

402. The Administration informed the Board that the High Commissioner had released a plan of action and strategic management plan. The latter, which was results-based, provided a comprehensive overview of the areas of work on which OHCHR would focus during 2006 and 2007. The strategic management plan assumes a cross-branch, one-office approach to planning and implementing the Office's work. It covers the biennial budget cycle of the United Nations and provides a full picture of the Office's objectives, activities and requirements, irrespective of funding source. At the beginning of 2006, the Policy, Planning, Monitoring and Evaluation Section was created with primary responsibility for overseeing the implementation of the strategic management plan. On the basis of the plan's expected accomplishments and key indicators, workplans were being drawn up by all units, and implementation of the plan and the use of resources monitored

biannually. OHCHR would publish an annual report on the implementation of the strategic management plan.

Staff travel costs

403. Using a report of the Advisory Committee on Administrative and Budgetary Questions (A/59/552), the Board compared the number of staff members in various New York offices with the total number and costs of staff members travelling from their headquarters to New York. OHCHR had the largest number of staff in its New York office (United Nations Environment Programme (UNEP) staff funded from extrabudgetary resources excluded). This allowed the Office to limit only slightly the travel of its Geneva-based staff to its New York office: on average, offices away from Headquarters had 10 staff travelling to New York during the biennium for every one staff member based there (the number ranging from 5 to 24); OHCHR, on the basis of 2004, figures limited that ratio to 9.

Table II.11
Staff travel to New York
(In United States dollars)

Organization	*Number of staff travelling to New York (1)*	*Cost of travel to New York and related expenses (2)*	*Staff in New York office (3)*	*Ratio of cost of travel to New York per staff member in New York office (2)/(3)*	*Ratio of staff travelling to staff in New York office (1)/(3)*
United Nations Office at Vienna/United Nations Office on Drugs and Crime	95	407 700	8	50 963	12
United Nations Conference on Trade and Development[a]	44	165 000	4	41 250	11
United Nations Centre for Human Settlements[a]	25	127 500	5	25 500	5
New York Office of the Regional Commissions[a]	37	267 000	6	44 500	6
Office of the United Nations High Commissioner for Human Rights	102	453 825	11	41 257	9

[a] Data for the biennium 2002-2003, from a report of the Advisory Committee on Administrative and Budgetary Questions (A/59/552).

404. The Office explained also that its focal points concerned with the work of the Security Council, the General Assembly, the Executive Office of the Secretary-General, the United Nations reform processes, the OHCHR Chair of and secretariat for action 2 of the agenda for further change, the four executive committees, genocide prevention, system-wide policy and planning on the rule of law, protection of civilians, and a host of other work areas, were all located in the New York office. As a result, travel from Geneva was seldom required in connection with those areas. When making comparisons to other New York offices, by virtue of the 1997 United Nations reform efforts, and the Secretary-General's human rights mainstreaming doctrine, OHCHR holds the distinction of being an active member of

all four executive committees. The Office was also of the view that it should not necessarily incur travel expenses since all executive committees now use videoconferencing to link principals.

405. **The Board recommends that, given the staffing of its New York office, the Office of the United Nations High Commissioner for Human Rights continue its efforts to limit travel and related expenses to New York.**

406. The Administration informed the Board that OHCHR makes every effort to limit staff travel to New York. It makes frequent (weekly) use of video links with New York, both for enhancing internal coordination and for participating in New York-based meetings.

Two ESCAP-APCAEM websites

407. The mission of ESCAP-APCAEM is to provide capacity-building, technology transfer and information networking to its member countries through human resources development, as well as policy analysis in the development and promotion of cost-effective agricultural machinery and engineering practices, and in agro-based enterprise development.

408. Following the recommendation of its Governing Board, ESCAP-APCAEM developed its own website to increase regional cooperation in technology transfer through networking of its website and those of its focal point national institutes in member countries. The ESCAP-APCAEM website features information about the Centre, inter alia, most recent highlights and developments, areas of focus, activities and contacts. However, at the time of creation of the website, another was at the design phase, a result of an informal arrangement with the former Director of ESCAP-APCAEM and a certain institution in a member State. It did not pass under the ESCAP project formulation and appraisal processes which, according to the inter-office memorandum of the Executive Secretary dated 28 January 2005, should have included its review and approval by an appropriate committee of ESCAP prior to its implementation. The Board is concerned that maintaining two websites which serve similar purposes is costly.

409. **The Administration agreed with the Board's recommendation that it examine the feasibility of combining the two websites of the Economic and Social Commission for Asia and the Pacific-Asia and Pacific Centre for Agricultural Engineering and Machinery because both serve similar purposes.**

410. The Administration informed the Board that a new website for ESCAP-APCAEM had been launched and the old website closed.

11. Treasury and investment management

United Nations Headquarters

411. As at 31 December 2005, cash and term deposits reflected a balance of $370.47 million. Cash pools and investments balances were valued at $1.53 billion and $51.62 million, respectively. Interest income earned for the biennium amounted to $75.72 million.

Bank account structures

412. The Board reviewed the Administration's cash management system and noted that, to track and validate the flow of cash, Treasury had to spend considerable time looking into numerous accounts. This process, which involved searching manually through numerous bank accounts rather than searching on a consolidated basis through OPICS, posed the risk of providing inaccurate information to support fund management and investment decisions. The Board is also of the view that maintaining numerous bank accounts entails the incurrence of additional bank charges.

413. The process of tracking and validation of cash can be readily set up in OPICS. While there is a need to maintain an account for each of the participating funds, these need not be actual bank accounts because OPICS could facilitate and make efficient cash management automation.

414. Treasury informed the Board that it had been promoting a consolidation of bank accounts to achieve a significant reduction in bank charges, and was developing the Treasury single account concept.

415. **The Board recommends that Treasury, in coordination with the Accounts Division and the Contributions Service, consider reducing the number of bank accounts by making greater use of the Operations Processing Integrated Control System.**

416. The Administration informed the Board that, while it was promoting a consolidation of bank accounts, it considered that the feasibility and related modalities for fully utilizing the capabilities of OPICS needed to be developed in conjunction with the Accounts Division and the Contributions Service, recognizing that separate bank accounts may be required, taking into account legal or other considerations.

Cash flow forecasting

417. In its previous report, the Board recommended that Treasury consider the costs and benefits of adopting a comprehensive cash flow forecasting system, with a view to further enhancing its portfolio performance.[31]

418. Treasury commented that cash flow forecasting for three months or more was inaccurate, was not an effective management tool, and depended on receipts and disbursements and on similar forecasts at the substantive offices and offices away from Headquarters pool, over which the United Nations had no control in regard to predictability.

419. **The Board reiterates its recommendation that Treasury consider the costs and benefits of adopting a comprehensive cash flow forecasting system, with a view to further enhancing its portfolio performance.**

Financial transactions messaging network

420. Treasury uses two systems, Chase Insight and SWIFT, for the exchange of financial messages even though the former has limited coverage and the latter could

[31] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 204.

well provide all the messaging services needed by the United Nations. Between the two systems, SWIFT is more global as it runs a worldwide network by which messages are exchanged among banks and other financial institutions.

421. In developing the application for the planned cash management processes, inter alia, system design and coding, Treasury agreed with the Board's view that interfacing only one messaging network to the other applications would be much more efficient. Using only SWIFT for financial transaction messaging would result in savings for the United Nations.

422. Treasury informed the Board that, since the implementation of SWIFT, it had been steadily migrating payments and transfers to the system which was being used for all non-United States dollar payments and transfers, and that it aimed to reduce the use of Chase Insight and maintain it as a business-continuity solution and as a training platform for peacekeeping missions.

423. **The Board recommends that Treasury maximize the use of SWIFT for all needed exchanges of financial messages.**

424. The Administration informed the Board that it started using SWIFT in 2006 for all investment transactions except foreign exchange. By the end of the year, SWIFT would be used for foreign exchange as well, once the foreign exchange module of OPICS had been implemented.

Posting of payments to OPICS and inter-fund transfers

425. The Board noted that there was no capability in the interface between IMIS and OPICS to post payment instruction entries. At the end of each day, Treasury had to encode manually the daily disbursement documents in a Microsoft Excel file before OPICS uploaded investment transactions to IMIS. While Treasury informed the Board that the IMIS-OPICS interface for payments was under development with the IMIS team, there was an inherent risk of inaccuracy in payments while the process was being carried out manually, particularly given the numerous funds it handled.

426. An IMIS-OPICS interface for both automated clearing house (ACH) and non-ACH pay instructions would eliminate the manual procedure and, together with the consolidation of bank accounts in OPICS, facilitate seamless inter-fund transfers. This would also provide the ability to sort out and distribute, readily and accurately, returns realized from unspent advances between and among funds.

427. Treasury agreed that the IMIS-OPICS interface would result in significant reduction in manual data entries and that it aimed to execute all payments and inter-fund transfers from OPICS. The upgrading process was taking place and Treasury had started working on interfacing payments and inter-fund transfers in United States dollars. Treasury expected that phase one of the ICOS project would be completed by the end of July 2006.

428. **The Board recommends that Treasury improve the interfacing of the Integrated Management Information System and the Operations Processing Integrated Control System.**

Fund sufficiency control in OPICS

429. Fund sufficiency control in OPICS is performed manually. The control process for each participating fund is executed on a daily basis by encoding in a Microsoft Excel file the disbursement documents created and cleared from IMIS; computing the cash requirement that excludes outstanding cheques for controlled disbursements; determining the bank account balance based on downloads from Chase Insight; obtaining the difference between the cash requirement and the bank account balance; and transferring funds from the pool account to the account of the participating fund, whenever the cash requirement cannot be met by the daily bank account balance.

430. With regard to the determination of end-of-day outstanding cheques in each fund, Treasury took considerable time to complete the process, which is done in a cumulative manner that requires a one-to-one mapping of disbursements against those already paid by the banks. Treasury confirmed that fund sufficiency check was a critical part of the workflow process and was part of the cash management project that was expected to be implemented completely in 2006.

431. **The Board recommends that Treasury automate, to the extent possible, fund sufficiency check in the Operations Processing Integrated Control System.**

432. The Administration informed the Board that automated cash sufficiency check was part of the next phase of the ICOS project, which would also automatically flag idle balances for investment purposes.

Maximizing return on bank account balances

433. The Board analysed 31 sample balances (totalling $2.7 billion) of the total daily bank account balances between 1 January and 30 June 2005 of the funds participating in the Headquarters pool (VQA) and noted that the balances ranged from $62 million to $178 million (and averaged $87 million). Owing to the unavailability of specific information at the time of audit, the Board was unable to determine if a higher return would have been realized had Treasury decided to sweep (in overnight placement) the available bank balances.

434. While Treasury commented that the daily cash management report and the daily investment cash flow report generated by OPICS provided a mechanism to maximize the investment, those reports did not provide reasonable assurance that a return on the bank account balances had been optimized. Treasury also commented that those two reports pertained to the pool bank accounts of Headquarters and offices away from Headquarters and, since their inception, the day-to-day bank account balances had not exceeded $2,000. It agreed that a similar mechanism should be extended to other bank accounts for which the issue was addressed by the cash management application document in the section on cash pooling.

435. **The Board recommends that Treasury improve the functionality in the Operations Processing Integrated Control System that would indicate the optimum amount to sweep in any given day, and apply it to all bank accounts.**

436. The Administration informed the Board that automated cash sufficiency check was part of the next phase of the ICOS project, which would also automatically flag idle balances for investment purposes.

437. Treasury commented that the optimum amount to be swept every night was a subjective decision that OPICS was not able to handle. Treasury updated all accounts daily and any remaining cash was moved to the investment pool account. From the investment pool, once all investments had been made, any remaining cash was swept to the Treasury's bank overnight investment account, an action that required human judgement and could not be determined by OPICS.

Matching and reconciliation of transactions

438. The Board noted risks inherent in the manual processes of matching and reconciliation of transactions performed by Treasury on a daily and monthly basis, as shown in table II.12. These included incurring overdrafts and the inability to sweep a material bank balance in a given day for a higher return on investments because adjustments for a valid and material reconciling item would certainly be delayed by at least one month.

Table II.12
Frequency of matching and reconciliation of transactions

Matching/reconciliation	*Frequency*
OPICS with Chase Insight and SWIFT transactions — custodial and banking records	Daily
IMIS cash transactions with bank account — all pool accounts	Monthly
OPICS transactions with IMIS — Headquarters pool (VQA)	Daily
OPICS transactions with IMIS — Euro pool (VQE)	Monthly
OPICS transactions with IMIS — Offices away from Headquarters pool (OAH)	Monthly

439. The bank reconciliation manually performed by the Accounts Division could be addressed in the context of improving the cash management process because the Accounts Division and Treasury used the same documents in their respective reconciliation. In this manner, the Accounts Division could use the same software as Treasury in automating its matching functions, thereby providing efficient and effective matching reconciliation and eliminating duplication of effort.

440. Treasury commented that it fully understood the importance of the Accounts Division's responsibility of timely reconciliation of cash transactions and that its automation would certainly enhance such timeliness and accuracy, but pointed out that the purpose of bank reconciliation was not to prevent overdrafts or optimize overnight placement, and that it was slightly different from that of matching, which was a responsibility of Treasury.

441. **The Board recommends that Treasury automate all matching and reconciliation processes required by cash and investment management and between the Operations Processing Integrated Control System and the Integrated Management Information System.**

442. The Administration informed the Board that it considered that the matching routines it undertook at present to be sufficient for monitoring and control purposes. With the ongoing implementation of ICOS in phases, additional reconciliations

would be undertaken as required to ensure that transactions continued to be processed in a controlled environment.

Foreign currency transactions

443. As envisaged in the OPICS user guide, the system supports, inter alia, financial instruments, including foreign exchange, multicurrency accounting and interfaces. In like manner, the common principles and policies for investments, issued by the United Nations financial services working group, requires that currency investments match, to the extent possible, the currency size and duration of obligations.

444. While OPICS is capable of ensuring that losses in foreign exchange or global currency exposure can be minimized, the Board noted that OPICS had not been fully utilized to provide reliable information and reasonable assurance that the United Nations would be able to pay its obligations on time and at the most advantageous foreign exchange rates.

445. Treasury informed the Board that the foreign exchange module of OPICS had been installed in June 2005 and would be used for all foreign exchange transactions in the very near future.

446. **The Board recommends that Treasury use fully the capability of the newly installed foreign exchange module in the Operations Processing Integrated Control System.**

Managerial reports

447. The Board observed that Treasury had not taken advantage of the capability of OPICS to provide time-sensitive information, inter alia: periodic if not daily snapshots of the cash position and investment results on the Treasury's website in order to enhance Treasury's transparency; daily cash position and investment results for fund managers (web-based, especially for offices away from Headquarters) to aid them in making informed investment decisions and support their cash forecasting; and the daily global cash position and investment results for senior managers and even policymakers to support their decisions.

448. Treasury informed the Board that it was working with the Information Technology Services Division to include the daily cash position and investment results on its web-based Nucleus system, which would provide access to OPICS reports, based on the user's security profile.

449. Treasury commented that OPICS was not a forecasting system although it certainly provided timely and reliable data. Cash forecasting was imprecise because it involved analytical work, including estimates, which was beyond the scope of a transactional accounting system, such as OPICS. It reiterated that contributions did not come in at a predefined schedule and that vendor and other payments did not follow a predetermined frequency. Hence, changes in value dates of anticipated receipts and disbursement were not feasible.

450. **The Administration agreed with the Board's recommendation that it improve the reporting capability of the Operations Processing Integrated Control System.**

Tracking investment expenses on investment pooling

451. It is a standard industry practice to track the amount of expenses incurred in running a fund as one of the measures by which programme and fund managers are able to determine if they are efficient, and able to optimize investments. The expense ratio is defined as the fund's total annual operating expenses, including management fees, distribution fees and other expenses, expressed as a percentage of average net assets.

452. The Board is of the view that Treasury's expense ratio is not tracked with reasonable accuracy as it is computed based on budget allocation. The approximation of the expenses relating to the Treasury cash management application could be further improved if a more comprehensive and accurate method were applied by using historical expenditure rather than budget estimates.

453. The tracking and benchmarking of the expense ratio could be monitored, considering that Treasury does not incur certain expenditure that the industry normally paid, like bonuses; absorbs indirect costs, like cost relative to the accounting for investments by the Accounts Division; and has not established a basis of computation.

454. In systematically tracking the expenses associated with investment pooling with reasonable accuracy, Treasury could take full advantage of the benefits of establishing the cost of achieving the expected results in investment pooling and of benchmarking it against the industry standards. Treasury would be able to identify inefficiencies in its investment practices, costs that could be avoided and the additional resources necessary to optimize investments. Further, in assigning with reasonable accuracy the cost of achieving expected investment results, Treasury would be able to establish with transparency its accountability for investment decisions.

455. Treasury informed the Board that all direct expenses were charged to individual funds and that, in 2005, a cost accounting feasibility study had been commissioned by the Controller's office for United Nations system-wide costing, the implementation of which might take some time.

456. **The Board recommends that Treasury systematically track, account for and report expenses associated with investment pooling in order to ensure that investment decisions are sound.**

457. The Administration informed the Board that it was difficult to be precise about calculating expenses related only to investments since much of the work in Treasury overlapped; for example, investments in technology for investment purposes (such as OPICS) were used by all areas of Treasury. However, Treasury did track expenses associated with the investment area, based on budget allocation.

Offices away from Headquarters

United Nations Office at Geneva

458. The United Nations Office at Geneva is responsible for the management of the investments of UNSMIS. The performance of these investments in the biennium 2004-2005 is shown in table II.13.

Table II.13
UNSMIS investments in the biennium 2004-2005
(In United States dollars)

		Interest income	*Average performance (percentage)*	*Euribor[a] (percentage)*
UNSMIS investments				
Amount as at 31 December 2003	82 168 550	789 703	0.91	2.30
Amount as at 31 December 2005	79 956 426	573 769	0.71	2.84

[a] Euro Interbank Offered Rate.

459. The interest amounts and the performance percentage of the investments for the biennium 2004-2005 were low compared with the official schedule of benchmark investments rates, such as Euribor. The Board noted that the average performance of the funds invested for UNSMIS produced earnings of 0.71 per cent the 2004-2005 biennium, whereas Euribor generated a 2.84 per cent average return.

460. The UNSMIS portfolio consists of three components: money market deposits; bond portfolio; and externally managed funds. The United Nations Office at Geneva explained that first, it does not pursue primarily the goal of maximizing returns on invested funds. UNSMIS and United Nations investment policies stipulate that the return on investment is a tertiary objective after the preservation of capital and liquidity. Secondly, supporting benchmarking of the UNSMIS portfolio is a significant job and requires serious middle office staffing support. However, the question remains of whether it is reasonable to entertain that activity. While a comparison of investments to market is theoretically possible, the costs of doing it are rather high. Even for that portion of externally managed funds broken down by equities, bonds, investment funds and other instruments, it would be extremely complicated to establish relevant benchmarks on the market and to monitor them properly.

461. The United Nations Office at Geneva considered that a comparison of the UNSMIS portfolio to benchmarks Eonia (Euro OverNight Index Average) or Euribor was not quite appropriate since, in accordance with the UNSMIS statute and investment policy, its assets are primarily invested in Swiss francs, and reported money market deposits are meant solely to cover the liquidity needs of UNSMIS and placed in very short-term investments (six weeks or less).

462. **The Board recommends that the United Nations Office at Geneva pursue its efforts to manage the investment fund of the United Nations Staff Medical Insurance Society against Sickness and Accident in such a way as to maximize its return.**

463. The Administration informed the Board that the management of UNSMIS funds was guided by the investment strategy adopted by the Executive Committee of UNSMIS, which followed the common principles and policies for investments established by the United Nations. The strategy had most recently been revised on 1 July 2005. Under principle No. 2, paragraph 3, of the strategy document, it is stipulated that the person entrusted to invest UNSMIS funds shall abide by the prudent man rule and that the criteria for the choice of investments shall be security

and ready negotiability rather than yield. Nevertheless, the Financial Resources Management Service at the United Nations Office at Geneva would pursue its efforts to maximize the return on investments of UNSMIS funds as recommended by the Board, while taking due consideration of the investment strategy.

United Nations Office at Vienna

464. Treasury management at the United Nations Office at Vienna had few guidelines providing formalized treasury policies and procedures. Therefore, the Treasurer of the Office and the United Nations Office on Drugs and Crime created in 2001 a treasury manual to ensure a systematic approach to office management, a structure for its work, transparency, visualization and a quality standard. However, the manual did not cover such areas as the mission, goals and objectives of Treasury, the definition of positions with responsibility and authority, the liquidity policy, the credit policy, the code of conduct, the operational controls and the reporting requirements.

465. **The United Nations Office at Vienna agreed with the Board's recommendation that it coordinate with United Nations Treasury in the development of a United Nations system-wide treasury manual which would contain a section on local procedures.**

466. The existing internal treasury manual indicated that the bank balance of the United Nations Office at Vienna should not be below $1 million and over $2 million. The Board, however, noted that the balance exceeded $2 million on 40 days in 2005 and, as at 31 December 2005, had reached $4.5 million.

467. The Board noted that the United Nations Office at Vienna was not participating in the investment pool managed by United Nations Treasury at Headquarters. Had this been done, the Office would have been in a position to invest funds in excess of $2 million, thereby generating revenue.

468. **The United Nations Office at Vienna agreed with the Board's recommendation that it participate in the investment pool.**

469. The Administration informed the Board that it participated in the investment pool of offices away from Headquarters (United States dollars) managed by United Nations Treasury. However, the invested amount represented contributions received for the United Nations Crime Prevention and Criminal Justice Fund. In normal circumstances, the United Nations Office at Vienna did not have excess funds relating to the regular budget since remittances were received regularly on the basis of estimated disbursements. In the unusual situation of a short-term excess of regular budgetary funds, the United Nations Office at Vienna reviewed with the Office of Programme Planning, Budget and Accounts the operating modalities for optimization of interest earnings.

12. Revenue-producing activities

470. For the biennium 2004-2005, revenue-producing activities provided a net excess of income over expenditure of $5.83 million, compared to $0.46 million in 2002-2003. Of the total net income from sales of $39.97 million, the sale of United Nations postage stamps of $12.53 million and sale of publications of $11.75 million represented 31 per cent and 29 per cent, respectively. The remaining $15.69 million (40 per cent) pertained to income from services to visitors, statistical products, gift

centre, news-stand operations, garage operations, catering operations and other commercial operations.

United Nations Postal Administration

471. The United Nations Postal Administration (UNPA) was established in 1950 to provide postal services, such as mailing services through the postal agencies of the United States of America, Switzerland and Austria, where the UNPA global headquarters and branch offices are located; to sell United Nations stamps and other philatelic products to generate income for the United Nations; and to derive advantage, in terms of publicity for the United Nations, from the issuance of special postage stamps. UNPA is a unit of the Commercial Activities Service, Office of Central Support Services, Department of Management.

472. As at 30 June 2005, the stock balance in the UNPA consolidated statement of assets and liabilities of $89.15 million differed by $3.19 million from the stock status reports of $92.34 million. The existence of more than one stockroom code for each subsidiary ledger account, which led to the discrepancy, made it difficult to reconcile the account balances. A number of stockroom codes did not correspond to that of the account number. While each stockroom code should have a corresponding sub-account, only 17 sub-accounts were created in MegaAccount (the ledger balance), despite the availability of 92 stockroom codes under MegaStamp (the stock movement log).

473. Despite the use of MegaStamp, on which UNPA placed reliance in recording stock movement, the stock status reports as at 20 September 2005 showed negative balances for some stamp items, amounting to $50,000. Under MegaStamp, the most recent stock balance can be traced only at the end of every month, when the status report is generated. One tool to detect negative balances at a certain point in time would be maintenance of stockroom ledgers.

474. The United Nations Postal Administration commented that it had maintained a manual ledger of all incoming and outgoing stock for the main stockroom and that it had reconciled against physical stock balances. A sub-account would be maintained and reconciled against MegaStamp balances.

475. **The United Nations Postal Administration agreed with the Board's recommendation that it maintain: (a) a sub-account for every stockroom code in MegaAccount and periodically reconcile the account balances against the ledger and stock value report; and (b) a stockroom ledger to keep track of the stock movement pending its entry in MegaStamp, as provided for in its procedures manual.**

476. The Board noted that there was no reserve fund to finance the liability covering the number of stamps previously sold to customers in case of their eventual use. UNPA agreed to set up a contingency fund and to find ways to finance the fund, by means of a proposal to the General Assembly.

477. **The Board recommends that the United Nations Postal Administration consider setting up a contingency fund from sales revenue to cover the mailing charges of pre-sold United Nations stamps in the event that customers use the stamps in the future.**

478. The Administration informed the Board that, at present, there was no legislative authority to transfer surpluses from UNPA to a contingency fund. It would consider raising the issue with intergovernmental bodies.

479. In the statement of assets and liabilities, as at 31 August 2005, the balance of accounts receivable (pertaining to items consigned to the overseas consignment agency) for the UNPA Europe office ($0.34 million) differed from the ageing schedule of a negative $0.30 million, by $0.64 million. The Board noted that the negative balances in the consignees' accounts in the ageing schedule were indications of overpayment. UNPA explained that the negative balance was due to a symbol error in the spreadsheet report generated by MegaSystem.

480. The United Nations Postal Administration commented that it was in the process of undertaking a periodic review of the accounts receivable to allow immediate corrective action.

481. **The United Nations Postal Administration agreed with the Board's recommendation that it pursue its plan to initiate a periodic review of accounts receivable so that corrective action can be taken immediately.**

482. Off-sale stamps (stamps cancelled or withdrawn from sale in accordance with United Nations regulations and rules) of $15.45 million as at 30 June 2005 were among the philatelic products approved for destruction by the Headquarters Property Survey Board. Although UNPA came up with a stamp byproduct to maximize the recovery of costs, a souvenir pack of cancelled off-sale stamps, it was willing to donate unpacked cancelled off-sale stamps to non-governmental organizations which were interested in the work of the United Nations.

483. The United Nations Postal Administration commented that it would review the policy in its procedures manual in regard to the destruction of off-sale stamps to maximize recovery of the cost of producing stamps.

484. **The United Nations Postal Administration agreed with the Board's recommendation that it revisit its policy on the destruction and disposition of off-sale stamps.**

Sale of publications

485. In promoting public awareness of the work of the United Nations, the Department of Public Information undertakes revenue-producing activities, inter alia, the sale of publications, guided tours, and some radio and visual services.

486. The Board noted outstanding receivables in the amount of $0.19 million. Of that amount, $81,000 pertained to past due receivables from the sale of United Nations publications of an age ranging from two months to four years. Receivables from guided tours and radio and visual services amounted to $20,000 and $90,000, respectively, and were over 90 days past due. The Board is concerned that portions of the receivables, which also have been recognized as income, may not be realized in view of their being past due.

487. The Board also noted that, with regard to the sale of publications, the Department granted credit sales to delinquent customers in the total amount of $31,000, contrary to its standing credit policy whereby accounts four months in arrears will not receive further shipments.

488. While there was a relevant credit policy on the sale of publications, the Board observed that there was no credit policy to govern sales on account from guided tours and radio and visual services. Despite the absence of a credit policy, the Board noted the existence of receivables amounting to $0.14 million from customers of guided tours and radio and visual services.

489. The Department of Public Information commented that it continuously managed customer accounts to minimize the risk of non-collection. As part of its quarterly review of all accounts, action was taken to contact directly, by telephone or e-mail, all major delinquent customers. The overall situation as regards overdue accounts had improved, from 29.28 per cent ($173,262 as compared with $591,741) in 2004 to 24.63 per cent ($213,368 as compared with $866,357) in 2005. The Department would establish an automated system for placing a hold on overdue accounts in line with the existing policy to ensure that there was no negative impact on the overall operation. In addition, the Radio and Television Service would propose recommendations on the management of receivables for review by the Department's pricing committee, including, where feasible, the adoption of a pre-payment system.

490. **The Board recommends that the Administration take appropriate measures to: (a) collect outstanding receivables; (b) enforce its credit policy on the sale of publications as regards granting additional credit for sales to customers with overdue accounts; and (c) collect receivables from customers of guided tours and radio and visual services as there is no credit policy to support rendering services on account.**

Garage operation

491. For the biennium 2004-2005, the garage operation contributed $2.49 million of the total net income from sales. The Board reviewed the existing procedures and practices in Garage Administration.

492. The function to receive and deposit payments has been delegated to the Garage Administration Supervisor without a written authority, contrary to financial rule 103.8 (b), which states that only officials designated by the Under-Secretary-General for Management shall be authorized to issue official receipts. Garage Administration explained that the Supervisor had been receiving payments for parking fees since 1994 and depositing the collections in the bank.

493. During the Board's review of receipts and deposits of payments made by delegations and missions during the period from 1 to 30 June 2005, there were instances where deposits were made from three to nine business days after receipt of the money. This was also not in keeping with financial rule 103.8 (c), whereby all moneys received shall be deposited in an official bank account within two business days of receipt.

494. The Administration informed the Board that the Facilities Management Service would ensure that appropriate administrative authorization was issued to the Garage Administration Supervisor to handle collections and make deposits. Efforts had been made to ensure that deposits were made within the two-day limit.

495. **The Administration agreed with the Board's recommendation that it comply with financial rule 103.8 (b) in relation to the formal designation of authority to issue official receipts and handle collections, and consistently apply**

financial rule 103.8 (c) which states that all moneys received shall be deposited in an official bank account within two business days of receipt.

496. The Administration informed the Board that a request for formal designation of authority to issue receipts and handle collections had been made. It also informed the Board that it had implemented the recommendation that all moneys received be deposited in an official bank account within two business days of receipt.

497. Despite the efforts made by Garage Administration, receivables from parking fees of $0.19 million pertaining to night parking by delegations remained uncollected as at 30 June 2005. Notably, 64 per cent, or $0.12 million (including 1987 fees), of total receivables were past due for more than two years. The current portion was only $17,000 or 9 per cent while the residual 27 per cent, or $53,000, was past due for between one month and less than two years. It bears emphasis that the suspension of parking privileges for more than three months has been recommended by the Advisory Committee on Administrative and Budgetary Questions and was endorsed by the General Assembly in resolution 39/236 of 8 December 1984, and is mentioned in the annual delegate's handbook.

498. The Board was informed that Garage Administration had implemented the inclusion of a delinquency notice with statements of account in arrears and had also implemented General Assembly resolution 39/236 accordingly.

499. **The Administration agreed with the Board's recommendation that it enforce strictly General Assembly resolution 39/236 when fees are in arrears for more than three months.**

500. The Administration informed the Board that it did not issue mission decals for those whose payments were in arrears for more than three months.

501. While the procedures by the issuance of parking permits and the adjusted parking fees are among those to be revised as outlined in the draft administrative instruction submitted by Garage Administration to the Garage Review Board, there is no procedure in place to serve as a tool for enforcing the suspension or revocation of parking permits issued to staff members in cases of failure to surrender the permit when assigned to offices away from Headquarters or on loan or secondment within the United Nations system. The Board was informed that Garage Administration would seek better coordination with executive offices and ensure that the procedures manual was updated accordingly.

502. **The Administration agreed with the Board's recommendation that it issue an administrative instruction concerning United Nations Garage operations and correspondingly update the Garage Administration procedures manual.**

503. The Administration informed the Board that it would work with the Garage Review Board to issue the administrative instruction and update the Garage Administration procedures manual.

13. Procurement and contract management

Internal controls review

504. An external consulting firm, commissioned by the Administration, reviewed the internal controls of the United Nations Procurement Service in regard to

Headquarters-generated procurement. The consultant's report, which was published by the Administration on 6 December 2005, comprised:

(a) A critical examination of the general adequacy and effectiveness of the current regulatory and legal environment;

(b) A review of the extent of control exercised by supervisors and the appropriate degree of independence to be exercised by procurement officers;

(c) An assessment of the existing policies, processes, systems, resources and controls, as well as the underlying regulations and directives serving as the framework for all administrative actions.

505. The significant findings were as follows:

(a) Procurement processes were outdated, failed to align with and reasonably support the procurement needs of primary customers and were inconsistently executed by the procurement staff;

(b) The staff of the Service constituted the controls in place. The organization was vulnerable to potential fraudulent or corrupt activity by limiting control mostly to that of placing significant reliance on staff. This did not imply findings of fraud or corruption as the review was not investigatory;

(c) Staff of the Service lacked sufficient professional development support and training;

(d) The governance structure demonstrated several areas of weakness, including insufficient management reporting and oversight of procurement operations;

(e) While ethics and integrity training had recently been conducted, the overall programme was weak and had not been sufficiently supported by management.

506. The Board focused its audit on procurement and contract management in order to determine primarily the status of implementation of its previous recommendations, except for matters noted in the interim audits conducted by the Board prior to the issuance of the report of the consulting firm.

Delegation of authority

507. In the biennium 2004-2005, UNICRI procured various items and services for a total amount of $2 million ($2.6 million in 2002-2003). However, as pointed out by the Board of Auditors in July 2002,[32] the terms of the authority delegated to the Director in respect of procurement have never been specified, contrary to financial rule 105.13 and para. 3.2 of the United Nations Procurement Manual. Therefore, UNICRI has not been formally entitled to perform procurement functions.

508. **The Board reiterates its recommendation that the United Nations Secretariat issue a formal delegation of procurement authority to the United Nations Interregional Crime and Justice Research Institute.**

[32] Ibid., *Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. I and corrigendum (A/57/5/Corr.1), chap. II, para. 233.

509. At the time of the Board's audit, the delegations of procurement authority granted to personnel at the United Nations Office at Geneva were not fully in line with United Nations rules,[11] as disclosed in table II.14. The Board noted that the actual delegation of a procurement authority of $100,000 to the Chief of the Procurement and Contracts Unit exceeded the ceiling of $75,000 provided in the United Nations Procurement Manual.

Table II.14
Actual delegation of procurement authority in comparison with ceilings set in the United Nations Procurement Manual

Level	*Function*	*Number of staff*	*Number of staff with delegated procurement authority*	*Actual delegation of procurement authority (United States dollars)*	*Ceiling established in United Nations Procurement Manual (United States dollars)*
P-5 (Chief Procurement Officer)	Chief, Procurement and Transportation Section	1	1	150 000	150 000
P-4	Chief, Procurement and Contracts Unit	1	1	100 000	75 000
P-3	Procurement Officer	3	1	5 000	50 000
P-2	Associate Procurement Officer	1	-	-	25 000
G-5 to G-7	Buyers/Procurement Assistant	11	2	5 000	7 500

510. With very limited delegations of procurement authority to its staff members, the timely and efficient delivery of procurement services might be affected. Most purchase orders had to be approved by the chief of section or chief of unit, which created bottlenecks and slowed down the procurement process. It also added to the chiefs' workload, whereas such functions could have been more evenly shared to the extent that United Nations rules on procurement allow it.

511. At the United Nations Office at Geneva, as required by the Financial Regulations and Rules of the United Nations, procurement authority is delegated by the Controller to the Director of Administration who then delegates the authority to staff members in charge of procurement. The previous Director of Administration retired on 31 May 2005. His successor entered on duty in January 2006 and was formally granted delegation of procurement authority on 27 April 2006. However, as at the end of May 2006, updated delegations of procurement authority to staff members in charge of procurement had yet to be issued. Consequently, since delegated authority is personal and not given solely by virtue of the office held, from a legal perspective there has not been duly delegated procurement authority at the United Nations Office at Geneva since 1 June 2005.

512. **The Administration agreed with the Board's recommendation that it review and update the distribution of procurement authority at the United Nations Office at Geneva in a timely manner.**

[11] *United Nations Procurement Manual*, sect. 3.2.

513. For the 17 staff involved in procurement, the average seniority in their functions exceeded six years, including four for more than 10 years and two others for more than 5. The current Chief of the Purchase and Transportation Section entered on duty as Deputy Chief of the Section and Chief of the Procurement and Contracts Unit in 1991, and was appointed Chief of the Section in 2000. Two procurement assistants had been assigned to procurement functions at the United Nations Office at Geneva more than 22 years earlier (respectively, in 1982 and 1984). The United Nations Office at Geneva explained that there were no United Nations rules and regulations concerning restrictions on the length of time that specialized staff might occupy positions in their areas of expertise. However, the Board is of the view that the periodic rotation of staff responsible for procurement services is good internal control and is in keeping with best practice.

514. **The Administration agreed with the Board's recommendation that it develop and implement guidelines for the periodic rotation of staff responsible for procurement activities.**

Procurement planning

515. Procurement planning is essential to facilitating an effective and efficient procurement process, which includes bulk purchasing and improved cash flow management. A well-developed procurement plan would reduce the frequency of small purchases and result in savings in cost and time.

516. While the Board took note of the Organization's efforts to improve this stage of the procurement process, continuing problems have persisted during procurement planning. Requisitions by the various offices at Headquarters and by field offices are made on an as-needed basis, which implies the lack of an annual procurement plan (ECLAC in Mexico, ECLAC in Trinidad and Tobago, ESCAP, Office of Programme Planning, Budget and Accounts).

517. The lead time of the procurement process is not taken into account owing to the variance in dates when requisitions are captured in IMIS and when the goods and services requested for purchase are needed. This may also have resulted from a lack of proper planning as regards needs (Procurement Service at United Nations Headquarters).

518. In the planning phase, the requirement to establish a clear and sufficiently detailed specification to consider items with generic names and similar efficacy at a lower cost did not enable vendors to compete fairly, since in some cases requisitions indicated particular brand names of medicines (ESCAP in Thailand).

519. **The Board reiterates its recommendation that the Administration remind all departments, divisions and offices to submit procurement plans, and monitor their submission.**

520. The General Assembly, by paragraph 7 of its resolution 52/226 A of 31 March 1998, requested the Secretary-General to ensure that all departments and offices at Headquarters and in the field develop, in cooperation with the Procurement Service annual procurement plans, which should be made publicly available. Moreover, section 8.1.1 of the United Nations Procurement Manual states that procurement planning is essential for the effective and timely solicitation of bids or proposals, award of contracts and delivery of the goods and services required. However, no such plan was established in 2004 and 2005, since only 15 of the 45 Geneva-based

departments serviced by the Procurement and Contracts Unit at the United Nations Office at Geneva submitted their own procurement plan. The Procurement and Contracts Unit was therefore not in a position to consolidate requirements, generate maximum interest from potential suppliers or ensure the timely, cost-effective acquisition of goods and services.

521. This is contrary to the assurance provided by the Administration in response to the Board's recommendation in its previous report that the Administration follow up and remind all departments, divisions and offices to submit procurement plans on a timely basis in accordance with the revised format, and stress the importance and benefits of procurement planning and their responsibility for the completeness and reliability of the data submitted.[34]

522. **The Administration agreed with the Board's recommendation that it reinforce the cooperation between the Procurement and Contracts Unit at the United Nations Office at Geneva and the departments it services so as to enable the Unit to implement reliable yearly procurement plans, in compliance with paragraph 7 of General Assembly resolution 52/226 A.**

523. The Board noted that there was a need to improve the functioning of the Committee on Contracts (i.e., given the outdated rules of procedure; a threshold for submission of cases to the Committee not in line with the United Nations Procurement Manual; the designation of members of the tender opening committee by an unauthorized official and non-compliance with rules on segregation; and no systematic participation by requisitioners in the Committee's meetings or duties).

524. **The Administration agreed with the Board's recommendation and has indicated that revised rules for the Committee on Contracts, which are in line with the United Nations Procurement Manual, are under consideration.**

525. The Board also noted that there was further room for improvement, notably in respect of vendor management wherein there were weaknesses in the assessment of vendor performance, missing financial information on registered vendors, and a lack of written records of meetings and decisions of the vendor review committee. There was no adequate segregation of the duties and functions of requisitioner, buyer and contract manager, which were simultaneously performed by a single staff member responsible for catering services.

526. **The Board recommends that the United Nations Office at Geneva address the concerns regarding procurement functions, pertaining to the assessment of vendor performance and the segregation of duties.**

527. By resolution 57/279 of 20 December 2002, the General Assembly requested the Secretary-General to encourage the organizations of the United Nations system, consistent with their respective mandates, to take further steps to increase procurement opportunities for vendors from developing countries and countries with economies in transition. At the United Nations Office at Geneva, 95 per cent of orders in the biennium 2004-2005 were awarded to vendors from Switzerland (70 per cent) and other Western European countries (25 per cent).

[34] *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 216.

528. Furthermore, based on a sample of 25 invitations to bid reviewed by the Board in 2005, 13 had a proportion of at least 90 per cent of invitees from Switzerland, and the Committee on Contracts underlined in several instances that the list of invitees comprised only Swiss companies.

529. **The Administration agreed with the Board's recommendation that it comply with General Assembly resolution 57/279 by increasing procurement opportunities for vendors from developing countries and countries with economies in transition.**

Unused purchases

530. The Board noted that five units of security equipment were purchased in excess of needs, considering that, according to the Security Unit, they were needed for only three locations.

531. In addition, the Board noted that, in December 2005, the United Nations Office at Geneva acquired an alarm system costing $5,664 to replace the human safeguarding of a villa. After its acquisition, the technical departments at Geneva realized that the installation was technically impossible, the type of alarm not being suited to the villa. The alarm remains unused.

532. **The Administration agreed with the Board's recommendation that it ensure that all purchases of goods at the United Nations Office at Geneva are made only after due consideration of the Office's needs.**

Requisition management

533. The Board, in its previous report, noted the features of the system which tracked the status of requisitions received by the Procurement Service at United Nations Headquarters and was satisfied with how it operated.[35] The requisition tracking system monitors and ages outstanding requisitions from under six months to over six months from the date of assignment to purchase order issuance, and is accessible by all procurement staff for tracking the status of the requisitions assigned to them. A test of the system yielded several cases in which the names of staff who had been reassigned or who had resigned or retired were not updated and continued to appear in the system under their previous offices.

534. **The Board recommends that the Administration maximize use of the features of the requisition tracking system in regard to staff movements.**

Vendor registration

535. At the Economic and Social Commission for Western Asia (ESCWA), the procurement files of five of the eight vendors selected as samples did not contain any financial information, contrary to the requirement envisaged in section 7.5 of the United Nations Procurement Manual that a vendor registration application to contain, inter alia, the most recent certified/audited financial statements (a balance sheet and income statement) (for privately-held companies), a copy of a signed income tax return (for United States applicants only), an annual report to shareholders (for publicly traded companies), or similar information on the financial

[35] See *ibid.*, para. 220.

reliability of the applicant. Despite requests for submission, the financial statements of the five vendors had not been received by ESCWA.

536. **The Administration agreed with the Board's recommendation that it obtain the necessary financial information from vendors, in conformity with section 7.5 of the United Nations Procurement Manual.**

Vendor selection

537. The Board noted that the Procurement Service was still working on the vendor registration and evaluation procedures accessible through the United Nations Global Marketplace, the issues of which were to be discussed at the meeting of the Inter-Agency Procurement Working Group in May 2005. The Group aimed to reach a consensus among various United Nations organizations and to implement a revised business process before the end of 2005. In connection with peacekeeping operations, the Administration had agreed to pursue initiatives with predetermined time frames to improve inter-agency procurement activities, in consultation with the United Nations Development Group and the Inter-agency Procurement Working Group.[36] Opportunities for further collaboration among United Nations organizations were to be discussed at the meeting of the Inter-Agency Working Group in June 2006.

538. The Board also noted that a provisionally registered contractor was awarded a contract by the Procurement Service even when a vendor registration form remained pending, contrary to existing procurement policies. The United Nations Procurement Manual allows a qualified supplier to be registered in the roster of vendors on a permanent basis upon completion of the registration process within 180 days or within the contract period, whichever is longer, otherwise the vendor is removed from the roster. The Manual also prescribes that no contractual award shall be made prior to the formal registration of a vendor.

539. At offices away from Headquarters, several contracts and/or purchase orders were awarded to vendors, which were not registered (ECLAC in Mexico, United Nations Office at Nairobi), whose selection was not in compliance with the minimum number of vendors (ESCAP), and which received the contract frequently, or between 9 and 29 times during the year (ESCAP).

540. **The Board recommends that the Administration deal only with suppliers duly listed in the roster of vendors to protect the interests of the United Nations, and comply with the provisions of the United Nations Procurement Manual in regard to vendor selection.**

541. The Administration informed the Board that ESCAP had taken steps to ensure that the appropriate number of vendors was always included in solicitations and that only properly registered vendors were solicited, in compliance with the United Nations Procurement Manual. It also informed the Board that the Procurement, Travel and Shipment Section at the United Nations Office at Nairobi would ensure that the vendors identified through market research or through expressions of interest for a specific award were provisionally registered until such time as formal registration was finalized in accordance with section 7.9.2 of the Manual.

[36] Ibid., *Sixtieth Session, Supplement No. 5 (A/60/5)*, vol. II, para. 78.

Procurement contracts

542. The United Nations Procurement Manual prescribes that all procurement actions, including certain minimum details and the terms and conditions that bind the United Nations and the vendor, shall be made in writing. One such contractual instrument is a purchase order.

543. The Board noted that several purchase orders were prepared and issued by ECLAC in Trinidad and Tobago after the goods had been delivered or the services rendered, including orders sent in 2004 for deliveries dating back to 2001 and 2002.

544. At ESCAP, some purchase orders were approved one year after the corresponding requisitions were obligated, which indicates that funds might have been simply reserved at year-end and also implies the lack of an annual procurement plan, thereby presenting a risk of the procurement process not being transparent, open, efficient and timely. As to payment for goods and services delivered, financial rule 105.19 states that no contract or other form of undertaking shall be made on behalf of the United Nations which requires a payment in advance of the delivery of products, unless the reasons for the advance payment are recorded. At ECLAC in Trinidad and Tobago, there were cases of advance payments being made without documented reasons that supported the claim.

545. At ESCAP, the annual procurement plan for 2005 was compiled based on the stated requirements of requisitioners which utilized planned volumes and estimated values promulgated in January 2005. ECLAC commented that corrective actions had been taken and that advance payments were only issued in exceptional cases.

546. **The Administration agreed with the Board's recommendation that it comply with established procedures for the procurement of goods and services.**

547. The Administration informed the Board that the ESCAP procurement plan for 2006 was already in use.

Contract amendments

548. A systems contract is another contractual instrument used in the procurement process which covers a continuous supply arrangement of deliverables, including vehicles. Such contracts run for periods of between one and three years and may be extended to two consecutive terms of one year each, for a total of five years. This type of contract allows the requisitioner to acquire the required goods and services from the contractor in an amount up to the "not to exceed" (NTE) limit, without soliciting bids each time, thereby significantly reducing the procurement cycle.

549. The Board noted that the contract for the delivery of a specific brand of trucks for use in peacekeeping missions and other United Nations offices under 26 systems contracts went through a series of upward price adjustments without comparative cost estimates to check price reasonableness; thus, the benchmarking of prices was limited.

550. The systems contracts did not include NTE limit amounts in the original and succeeding contracts; there was thus no guarantee that the vendor would meet the forecasted needs of the United Nations. Also, amendments needed to be made owing to the inclusion of additional tractor units not listed in the original contract and to the delay in the delivery of heavy trucks, which, in effect, spared the vendor from the imposition of liquidated damages. In addition, as a precursor to amendment or

extension of contract, the United Nations Procurement Manual requires the evaluation of vendor performance by the recipient or end-user, which was not complied with.

551. **The Board recommends that the Administration take into consideration such requirements as price increases, "not to exceed" limits, additional deliverables and delivery schedules, and ensure that vendor performance evaluations are prepared prior to the extension of contracts.**

552. The Administration commented that, in undertaking a comparative cost estimate for a price increase, the initial cost of an item was not the only determining factor considered but included, inter alia, standardization; the overall life-cycle cost or cost of operating a piece of equipment, including maintenance, spare parts and training; the cost of conducting a new procurement exercise; and the procurement lead time. The Administration agreed to indicate the NTE limit amounts in the contract and to include NTE increases in the amendments. It explained that, on the additional deliverables, contracts were awarded in accordance with the financial rules and that no further guidelines on the issue were considered necessary. It emphasized that the delivery terms agreed in the executed contract should serve as the sole basis for determining whether the delivery was late or not. It regretted, however, the errors committed in calculating the delivery terms, which had resulted in the constant amendment of contracts and had affected the timely meeting of United Nations procurement requirements. The Administration was of the opinion that compliance by requisitioners in submitting vendor performance evaluation reports prior to the extension of the terms of a contract had been achieved.

Low value procurement

553. The Procurement and Contracts Unit at the United Nations Office at Geneva processed $113.6 million of transactions during the biennium, travel excluded, which represented a 28 per cent increase compared with the previous biennium.

554. As at the end of 2005, the Procurement and Contracts Unit comprised 27 staff members (including five Professional and 22 General Service personnel). Compared with the authorized staffing table recorded in IMIS, the Unit had an excess of four posts. Of the 27 staff members, 17 (or 15 full-time equivalent) were directly involved in the procurement process, while the others were assigned to administrative, registry and warehouse functions. The number of staff members in charge of procurement functions in 2001 was 9, and in 2003, 13.

555. The activity of the Procurement and Contracts Unit has changed in volume and nature since 2001. The number of purchase orders grew between 2001 and 2005 (by almost 18 per cent), as did the total amount purchased. The average purchase order value and the number of bids increased. At the same time, the number of staff in charge of procurement grew by 66 per cent, and the ratio of General Service staff to Professional rose from 1.25 in 2001 to 2 in 2005.

556. A significant share of purchase orders issued in the biennium 2004-2005 was below the $2,500 threshold (56.4 per cent of the total) under which the recording of an obligation is not required (financial rule 105.4). Also, in accordance with section 9.4.1 of the United Nations Procurement Manual, the procurement officer or an authorized official with the appropriate delegation of authority can effect individual direct purchases. Efforts have been made by the United Nations Office at Geneva to

rationalize the procurement process, including the consolidation of small purchases. However, implementation of the low value procurement guideline set by the Financial Regulations and Rules of the United Nations and the United Nations Procurement Manual, which has not been contemplated by the United Nations Office at Geneva, could further save significant manpower.

557. **The Administration agreed with the Board's recommendation that it implement low value procurement principles, in line with the United Nations Procurement Manual and the Financial Regulations and Rules of the United Nations, in order to optimize procurement and staff performance.**

Procurement lead times

558. At ESCWA, the Board noted a decrease in the average lead time from the date of requisition until the inspection date (from 112 days in 2004 to 77 days in 2005), which demonstrates an overall increase in the efficiency of the procurement unit. Further examination, however, revealed that the time taken from requisition to inspection for 175 and 87 requisitions during 2004 and 2005, respectively, exceeded 120 days, and ranged from 124 to 427 days.

559. The Economic and Social Commission for Western Asia informed the Board that the examples of timelines established in the procurement manual for various requirements might vary for each procurement activity. There were also other factors to be considered, such as:

(a) The date that the requisition was prepared and approved on IMIS was not necessarily the date that the requisition was submitted to the procurement unit for action;

(b) Submission of clear and complete specifications may require some time to be completed;

(c) Requisitioners for extrabudgetary projects at times requested delays in delivery owing to the security situations in some of the countries in which projects were implemented, and/or projects were not yet completed;

(d) Delay in delivery by the vendor for reasons beyond the control of the Economic and Social Commission for Western Asia;

(e) Staggered delivery related to insufficient storage space;

(f) Staff of the procurement unit were requested to procure for regular budgetary and extrabudgetary activities, an issue which has been addressed in 2006, when two more procurement staff were recruited to carry out procurement in regard to extrabudgetary activities.

560. The Economic and Social Commission for Western Asia also informed the Board that it would continue to exert efforts to control the lead time between the date of receipt of the requisition and the date that the goods/services are inspected.

561. **The Board recommends that the Economic and Social Commission for Western Asia evaluate the reasons for the delays in the procurement process which result in a lengthy lead time and take corrective action to prevent its recurrence.**

14. Inter-agency services

562. The Offices of United Nations agencies away from Headquarters share common premises and administer services jointly, with some agencies paying others for the use of space and for the administration of services rendered. The terms and conditions for such services are covered by written agreements, which must be signed by both parties to bind each party's responsibility and accountability.

Common premises and shared services

United Nations Office at Nairobi

563. The administration of joint and common services and management of facilities by the United Nations Office at Nairobi for UNEP and the United Nations Human Settlements Programme (UN-Habitat) in Nairobi is covered by a memorandum of agreement signed on 14 April 2004. The terms and conditions for the specific services, including benchmarks for each service, are contained in service level agreements. The Board noted that three service level agreements were still unsigned as at 31 December 2005 pending the review of the revised draft by UNEP and UN-Habitat, while the performance of the financial services and human resources had not yet been reported.

564. **The Board recommends that the Administration periodically review and update the service level agreements of the United Nations Office at Nairobi.**

Economic and Social Commission for Asia and the Pacific

565. In Bangkok, ESCAP headquarters shared its offices with 13 other United Nations organizations, 7 of which did not enter into a memorandum of agreement with ESCAP covering the period from 1 January to 31 December 2005.

566. **The Administration agreed with the Board's recommendation that the Economic and Social Commission for Asia and the Pacific formalize a memorandum of agreement on common premises with its tenants.**

567. The Economic and Social Commission for Asia and the Pacific collects rent from its tenants at the same rate used since 1998, which may no longer be comparable with the prevailing commercial rates considering upward trends in the consumer price index of the National Statistics Office in Thailand during the period from 1998 to 2002.

568. The Board noted that ESCAP contracted a commercial real estate valuation company to undertake a professional review of the facilities in order to determine a comparable market rate for rent, commencing in January 2006.

569. Aside from renting its premises, ESCAP also rendered administrative services in the areas of budget, finance, human resources and general services, such as protocol, procurement and travel, to three United Nations agencies which reimbursed ESCAP based on a percentage of total expenses incurred and a fixed rate set 10 years earlier, instead of reimbursing it for the actual costs of each service rendered. This raised the concern that ESCAP may not be reimbursed in full for the costs it incurred in providing services to other United Nations agencies.

570. **The Board recommends that the Administration review its formula for reimbursement in calculating the actual costs of workload, materials and**

overhead in connection with its provision of administrative services to other United Nations agencies.

571. The Administration informed the Board that a formal memorandum of understanding in regard to office space rental was now in place. The rental rate had been adjusted to a comparable market rate after an independent review. Such reviews would take place every two years. Regarding the administrative services rendered to other agencies, ESCAP is preparing for an in-depth review of the cost-reimbursement arrangements in place.

United Nations Office at Vienna

572. The United Nations Office at Vienna processes the financial and personnel matters of UNICRI on the basis of an agreement on human resources management signed in 1994, which contains provisions that have not been implemented, and a revised list of services most recently updated in 2005. In its previous report, the Board recommended that the Administration ensure that concerned entities sign and implement memorandums of understanding on inter-agency services which set out clearly each party's responsibility and accountability.[33] The Office of Internal Oversight Services made a similar recommendation during its audit of UNICRI in 2003.

573. In 2004, the United Nations Office at Vienna and UNICRI agreed to address the issue. However, both parties agreed in 2005 to discontinue the negotiation of a memorandum of understanding, considering that revision of the cost-sharing formula for services rendered would be sufficient. The revision resulted in a 55 per cent increase in charges paid by UNICRI for services rendered by the United Nations Office at Vienna, compared to the previous biennium. The basis for cost computation has yet to be clarified and the exact nature and scope of services provided to the Institute are yet to be clearly established. UNICRI recognized the need to restart negotiations with the Office, and indicated that it would take the necessary preliminary steps.

574. **The Board reiterates its recommendation that the United Nations Office at Vienna and the United Nations Interregional Crime and Justice Research Institute conclude a clear and sound agreement in regard to the services rendered by the Office to the Institute and cost computation mechanisms.**

Economic Commission for Africa

575. Establishing common services and common premises at the country level can lead to increasing efficiency and effectiveness in the implementation of United Nations country programmes and foster inter-agency coordination. One of the main objectives of common services is to enable organizations to pool and streamline their support services in each country in order to reduce operating costs and achieve optimal efficiencies in programme delivery, while at the same time freeing technical and programme officers from mundane administrative tasks so that they can concentrate on the substantive areas of their field assignment.

576. One objective of establishing common premises was to build closer ties among United Nations staff and promote a more unified presence at the country level in a

[33] Ibid., *Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 549.

cost-effective manner. ECA is the largest United Nations entity in Ethiopia and it provides premises in the ECA compound to the other United Nations agencies located in the country.

577. A compound advisory committee was established, in which officials from ECA, UNDP, the United Nations Children's Fund (UNICEF) and the International Labour Organization (ILO) participate. Periodic adjustments have been made of the common building operating costs on the basis of an adjusted cost survey by the Facility Services Section of ECA, in consultation with the compound advisory committee. Each United Nations office and agency is provided with prior notice of any change to the common building operating costs in October of each year, such change to take effect from January of the following year.

578. The Economic Commission for Africa is in the planning and designing phase of construction of a new building on a piece of land adjacent to the ECA compound, which was donated by the Ethiopian Government. The new building will house all United Nations offices and agencies still outside the compound. A survey has been conducted by ECA among all United Nations offices and agencies outside the compound and positive responses have been received in regard to moving into the new area.

579. The Economic Commission for Africa has concluded memorandums of understanding with all United Nations offices and agencies and other commercial entities occupying space within the compound. The memorandums of understanding complied with the standard memorandum of understanding developed by the United Nations Development Group and covered aspects such as allocation and use of space in the common premises, apportionment of costs and expenses, and duration and withdrawal from the compound. The memorandums did not, however, stipulate the payment terms when rentals are due, or penalty clauses in case of late payment.

580. The Economic Commission for Africa concluded memorandums of understanding to the value of $1.19 million, which included cost recovery of $313,012 in the 2004 calendar year. Of the 2004 cost recovery, $21,773 for rental of premises was still outstanding as at June 2006. Rental of $1.21 million for 2005 was fully recovered by the end of June 2006.

581. **The Board recommends that the Economic Commission for Africa follow up with the concerned agencies and organizations the outstanding rentals for 2004. The Board also recommends that the Economic Commission for Africa include in the memorandums of understanding a clause that specifies the payment terms as well as a penalty clause in respect of late rental payments.**

582. The Economic Commission for Africa informed the Board that the inclusion of a clause in the memorandum of understanding regarding a penalty in a case of delayed payment was to be implemented in the 2006 annual cycle of memorandums. The memorandum of understanding format was approved by the Office of Legal Affairs, and any changes would have to be cleared by that Office and by the respective head offices of each agency or organization. In the interest of sharing common premises and services, ECA would not be pursuing the inclusion of a penalty clause in the memorandums of understanding with other United Nations agencies. Memorandums of understanding with entities other than United Nations agencies would contain a penalty clause in relation to late payment, to be implemented from 2007 upon the expiration of current memorandums.

583. The Board noted that memorandums of understanding did not contain details of the specific floor size, a description of the rental area and the rate to be charged per square metre occupied. This made it difficult to determine whether the rental charges on the billing were accurate. Cognizance was taken of the fact that all United Nations offices and agencies were informed on an annual basis of the rental rate per square metre and the rental size for a specific year. This increases the risk of disputes between ECA and a United Nations agency or commercial entity as ECA would be in a difficult position in defending its claim, given the insufficient information in the memorandum of understanding.

584. **The Board recommends that the Economic Commission for Africa, on an annual basis, attach an addendum signed by both parties to each memorandum of understanding, containing an indication of the specific area size, a description of space rented and the approved rental rate to be charged for the specific period.**

585. The Economic Commission for Africa informed the Board that an addendum containing all details was under preparation and would be implemented for the 2007 calendar year.

586. Common services are an effective means of reducing costs and increasing the efficiency and coordination of United Nations operations. In its efforts to achieve progress in the field of common services, the United Nations Development Group's working group on common premises and services was mandated to provide country teams with guidance and technical advice on the establishment of common services.

587. The Economic Commission for Africa and the other United Nations agencies in the ECA compound have established a travel advisory committee, which appointed three travel agencies housed in the compound. All United Nations offices and agencies that make use of the services of the travel agencies have received rebates on tickets purchased. This was the only common service that all agencies in the ECA compound agreed to, other than those associated with common premises (e.g., security, telephone (local), maintenance, water and electricity, Internet and VSAT (very small aperture terminal)).

588. The Economic Commission for Africa has concluded memorandums of understanding with various service providers to provide specific services for all United Nations offices and agencies. These service providers are housed in the ECA compound for the benefit of all. United Nations offices and agencies that utilize these services pay directly to the respective service providers. The following are examples of the shared services available: conference facilities; catering facilities; banking; post office; telecommunications; courier services; fuel station; airlines and travel agencies; duty free shop; and United Nations clinic.

589. In the area of procurement, the following samples with the unit price were obtained from the procurement section of ECA in order to assess the possible gains and economies of scale for ECA and the United Nations offices and agencies if procurement were administered centrally.

Table II.15
Sample items
(In United States dollars)

Description	*Quantity*	*ECA*	*UNDP*	*UNICEF*
Photocopy paper (500 sheets)	1	3.52	3.40	4.12
CD-ROM	1	0.75	1.04	0.69
Executive chair (Local)	1	173.61	225.69	145.83
Printer toner (HP-2300)	1	106.48	91.44	127.31
Total		**284.36**	**321.57**	**277.95**

590. Based on the above-mentioned examples of prices paid, it is evident that it would be to the benefit of ECA and United Nations offices and agencies to evaluate the possibility of administering procurement centrally, especially for commonly procured items. Better prices could possibly be negotiated if larger quantities are ordered and United Nations offices and agencies could save on delivery costs as well.

591. **The Board recommends that the Economic Commission for Africa, in consultation with the other United Nations offices and agencies in Ethiopia, explore the possibility of establishing and managing more common services, such as procurement, which could be to the benefit of all.**

592. The Economic Commission for Africa informed the Board that some mechanisms had been put in place for undertaking common services, such as travel, Internet provision, satellite services and videoconference facilities. A major challenge, however, was coordinating common procurement since many of the agencies relied on their headquarters for their procurement. ECA would endeavour to take this up with the United Nations country team.

15. Human resources management

593. In section V of its resolution 59/266 of 23 December 2004, the General Assembly requested the Board of Auditors to conduct an audit of the implementation of the principle of geographical representation in the Secretariat at all levels, as set out in relevant resolutions of the General Assembly, and to verify the application of established measures of transparency and accountability at all levels of the selection, recruitment and placement process in compliance with relevant resolutions of the Assembly. It also requested the Board to submit its findings and recommendations to the Assembly at its sixty-first session. In its audit, the Board also determined whether the United Nations had achieved the goal of 50/50 gender distribution in all posts.

Equitable geographical distribution

594. Geographical status is assigned to staff in the Professional category and above upon recruitment for one year or longer against a post subject to equitable geographical distribution and to the application of the system of desirable ranges: for example, a regular budgetary post in the Secretariat at the Professional level or

above, except for language posts up to P-5. All successful candidates in a national competitive recruitment examination also have geographical status.

595. The recruitment of staff in line with the policy on geographical distribution is governed by the system of desirable ranges. The factors and corresponding weights taken into account for the distribution of geographical posts are: membership, 40 per cent; population, 5 per cent; and contribution, 55 per cent. For the purpose of geographical distribution, Member States are grouped into four categories: unrepresented; underrepresented; within range (below and above midpoint); and overrepresented.

596. As at 31 December 2005, 2,606 staff members were subject to geographical distribution among the 191 Member States, of which 17 were unrepresented; 8 were underrepresented; 99 were within range (below midpoint); 43 were within range (above midpoint); and 24 were overrepresented.

597. The Board's analysis of the equitable geographical representation of Member States showed that there was no improvement on the status of unrepresented Member States and minimal improvement for those underrepresented in the period 2004 to 2005, while the number of overrepresented Member States increased by seven, or 41 per cent, as shown in table II.16.

Table II.16
Comparative status of geographical distribution 2004 and 2005

Category	*2004*	*2005*	*Remarks*
Unrepresented	16	17	Unfavourable; number of Member States increased by 6 per cent
Underrepresented	10	8	Favourable, 20 per cent decrease
Within range	148	142	Unfavourable, 4 per cent decrease
Overrepresented	17	24	Became more unfavourable
Total	**191**	**191**	

598. One of the indicators of achievement of the Office of Human Resources Management in attaining its objective of promoting organizational cultural change in the Secretariat was the improvement of geographical representation through the national competitive recruitment examination, 260 candidates of which the Office targeted for placement on the roster for the period 2004 to 2005. The countries in which to conduct the examinations were selected one year in advance in the context of the representation status of Member States (i.e., unrepresented, underrepresented and within range).

599. Excluding the examination conducted in China, 23,207 nationals from various Member States with representation status of unrepresented, underrepresented, and within range (below midpoint) applied for the examinations held in various countries in 2004 and 2005. These candidates were screened and, of the total applicants, 7,547 qualified candidates, or 33 per cent, were convoked, having met the qualification criteria, but only 5,478, or 73 per cent, of those convoked took the examination. Table II.17 shows the number of applicants screened and convoked and the number of actual and successful examinees. The table classifies the

examinees according to their respective country representation status and the category of the country in which the examinations were held, based on the 31 December 2002 and the 31 December 2003 representation status used for planning the 2004 and 2005 examinations.

Table II.17
Number of applicants, convoked applicants, actual and successful examinees

Category of country where examination held	*Number of applicants screened*	*Number of applicants convoked*	*Number of actual examinees*	*Number of successful examinees*	*Representation status of the applicant's country*
Unrepresented	175	130	92	—	Unrepresented
	1	1	1	—	Underrepresented
	31	19	4	—	Within range (below midpoint)
Subtotal	**207**	**150**	**97**	—	
Underrepresented	17	15	13	1	Unrepresented
	5 024	1 680	1 223	25	Underrepresented
	286	196	142	10	Within range (below midpoint)
	—	—	—	9	Within range (above midpoint)[a]
	3	—	—	—	No country indicated in the list/country not a Member State
Subtotal	**5 330**	**1 891**	**1 378**	**45**	
Within range (below midpoint)	72	64	43	3	Unrepresented
	898	465	356	12	Underrepresented
	10 010	4 468	3 247	104	Within range (below midpoint)
	—	—	—	6	Within range (above midpoint)[a]
	10	1	—	—	No country indicated in the list/country not a Member State
Subtotal	**10 990**	**4 998**	**3 646**	**125**	
Within range (above midpoint)	10	9	6	—	Unrepresented
	144	110	83	5	Underrepresented
	283	178	129	11	Within range (below midpoint)
	—	—	—	24	Within range (above midpoint)[a]
	1	—	—	—	No country indicated in the list/country not a Member State
Subtotal	**438**	**297**	**218**	**40**	

Category of country where examination held	*Number of applicants screened*	*Number of applicants convoked*	*Number of actual examinees*	*Number of successful examinees*	*Representation status of the applicant's country*
Overrepresented	5	5	1	—	Unrepresented
	97	69	52	3	Underrepresented
	190	135	84	6	Within range (below midpoint)
	—	—	—	1	Within range (above midpoint)[a]
	3	—	—	—	No country indicated in the list
Subtotal	**295**	**209**	**137**	**10**	
No site of country indicated	79	—	—	—	Unrepresented
	1 759	—	—	—	Underrepresented
	3 635	2	2	—	Within range (below midpoint)
	474	—	—	—	No country indicated in the list
Subtotal	**5 947**	**2**	**2**	—	
Total	**23 207**	**7 547**	**5 478**	**220**	

[a] Category was within range (below midpoint) during application, based on 2002 and 2003 category.

600. For the biennium 2004-2005, there were 220 successful candidates, subsequently included in the roster, from among the nationals of Member States with the representation status of unrepresented, underrepresented, within range (below midpoint), and within range (above midpoint), based on the 31 December 2005 representation status of Member States. The statistics showed that only 4 nationals from unrepresented Member States had successfully passed the examination, while there was a minimal number (45) of nationals from underrepresented Member States.

601. There were 40 successful examinees from the category within range (above midpoint), representing a European country. The Board is concerned there is likely to be a risk of the category of that Member State becoming overrepresented should the Administration decide to recruit from the 40 successful candidates. The selection of countries in which the examination was held in 2005 was based on the representation status of Member States as at 31 December 2003. In the case of that European country, its representation status during the planning of the 2005 examination was within range (below midpoint) but because of the recruitment of 18 of its rostered successful nationals in 2004 and 2005, the status was already within range (above midpoint) when the examination was conducted. As a consequence of using the 31 December 2003 representation status as the basis for planning for the 2005 examination, a total of 1,304 candidates from that European country applied to sit for the examination in almost every country in which it was conducted, of which 238 were convoked and 40 successfully passed and were included in the roster.

602. As shown in table II.18, there were 156 recruits from the national competitive recruitment examination for the biennium 2004-2005.

Table II.18
Number of recruits for the biennium 2004-2005, by category

Representation status	*2004*	*Percentage*	*2005*	*Percentage*	*Total*	*Percentage*
Unrepresented	2	3	—	—	2	1
Underrepresented	3	4	14	16	17	11
Subtotal	**5**	**7**	**14**	**16**	**19**	**12**
Within range (below midpoint)	27	39	49	57	76	49
Within range (above midpoint)	12	18	2	2	14	9
Overrepresented	25	36	22	25	47	30
Subtotal	**64**	**93**	**73**	**84**	**137**	**88**
Total	**69**	**100**	**87**	**100**	**156**	**100**

603. The data showed that of the 156 recruits on the roster of successful candidates, the Administration recruited 19 (or 12 per cent) from unrepresented and underrepresented Member States, 90 (or 58 per cent) from those within range, and 47 (or 30 per cent) from overrepresented Member States. The Board is of the view that the objective of improving equitable geographical representation through the administration of the national competitive recruitment examination has not been completely achieved because the number of recruits for the biennium 2004-2005 was dominated by nationals from overrepresented Member States and those within range.

604. Administrative instruction ST/AI/2002/4 states that if a roster candidate is suitable for the vacancy, the programme manager shall submit to the head of the department or office a selection proposal that is reasoned and supported by a documented record and that has taken into account the human resources targets set out in the departmental human resources action plan, especially with regard to geography and gender.

605. The Office of Human Resources Management sets targets, indicators and measures to improve the geographical representation of Member States and these targets, as reflected in the human resources action plan of each department, become the responsibility of each department or office once agreed by them. The Office monitors the progress of implementation of the action plan of each department by means of meetings and conferences, and evaluation is undertaken every six months until the end of the cycle of each action plan.

606. The Office of Human Resources Management commented that, while it concurred with the recommendation on the need for improvement in monitoring the performance of departments and offices in relation to human resources activities and providing them with assistance in the prioritization of human resources targets, it did not agree with the recommendation that the national competitive recruitment examination should be conducted only in unrepresented and underrepresented Member States. The Office was of the view that to hold the examination for only those Member States would severely limit the number of candidates. The

examinations were competitive and a minimum standard would have to be met. Based on the performance in the previous biennium, using that approach would mean that rostered candidates would not meet the demand for P-2 vacancies.

607. A number of the countries in which the examination was held were critically below the midpoint and if one or two of their nationals resigned, would be underrepresented. This held true for countries whose range was 14, meaning that with one national recruited, they would be within range. The Office of Human Resources Management proactively held examinations for those countries critically below the midpoint and at risk of being underrepresented or unrepresented. As the results of examination and the recruitment of candidates lagged severely behind the decision to include countries in the examination, it was necessary to include the aforementioned countries as the Office could not predict their success rate.

608. The Administration commented that one method of ensuring that candidates were not recruited from overrepresented countries was to have a system of temporarily freezing them on the roster, once the geographical representation of the country was within range but well above midpoint, with the option of unfreezing them once that representation fell closer to midpoint.

609. While temporarily freezing candidates in the roster could be a valid option, the Board is of the view that the process of conducting a national competitive recruitment examination to include candidates from Member States that were within range (above midpoint) would only entail additional costs, as those candidates would not be readily recruited until the status of their country fell closer to the midpoint. The risk that those rostered candidates could no longer be recruited was also probable.

610. **The Administration agreed with the Board's recommendation that it revisit its strategies to improve the geographical representation of Member States, which may include the option of conducting national competitive recruitment examinations for mostly unrepresented and underrepresented Member States, and improve its monitoring of the performance of departments and offices in achieving an equitable geographical distribution of staff.**

611. The Administration informed the Board that the Office of Human Resources Management would redefine the methodology used to identify Member States invited to the national competitive recruitment examination and limit the participation of those within range. Starting with the examination in 2008, predictors of success would be factored in, based on the number of candidates who had taken the examination in the previous year, and the past year's result for each Member State. This would allow the Office to predict more precisely the geographical status of Member States in the upcoming two years and accordingly to decide on which countries would participate. Attention would be paid to determining whether candidates from countries below midpoint were already on the roster.

612. At the end of the biennium, UNICRI had 15 regular staff members (7 as at 1 January 2004). Of the 15 staff, 12 (or 80 per cent) were Italian. In addition, UNICRI employed 366 consultants and individual contractors, including 179 lecturers for its Master's programme in criminology, conducted jointly with the University of Turin (96 in 2005, 83 in 2004). Overall, 77 per cent of the consultants

and individual contractors hired by the Institute were Italian (55 per cent when excluding lecturers from the University of Turin).

613. **The United Nations Interregional Crime and Justice Research Institute agreed with the Board's recommendation that it endeavour to achieve a more balanced geographical distribution of its staff members and consultants.**

614. As of May 2006, the secretariat of ECE comprised 222 staff members, comprising 206 regular staff members (including those on short-term appointments) and 16 project staff members.

615. As disclosed in table II.19, in May 2006 Europe still accounted for 71 per cent of the geographical representation of staff (74 per cent early in 2005), and 78 per cent of the P (100 series appointments) and L (200 series appointments) categories (85 per cent early in 2005).

Table II.19
Geographical distribution of ECE staff

	Total ECE		*Of which P and L*	
Geographical origin	*Number*	*Percentage*	*Number*	*Percentage*
Europe	158	71	97	78
Asia	26	12	12	10
North America	24	11	9	7
Africa	9	4	3	2
Latin America	5	2	3	2
Total	**222**		**124**	

Source: IMIS post incumbency report as at 10 May 2006.

616. The Economic Commission for Europe explained that the overrepresentation of Europe was due to its location and inherent characteristics of its mandate and activities. It also recalled that it adhered to the United Nations policy on recruitment, but underlined that the level of geographical representation was established at the United Nations Secretariat-wide level, not at the departmental or regional commission level. Notwithstanding the explanation given by ECE, the Board is of the view that General Assembly resolutions 60/310 concerning equitable geographical distribution apply equally to the regional commissions.

617. **The Board recommends that the Economic Commission for Europe comply with General Assembly resolutions on the geographical distribution of United Nations staff.**

618. For the biennium 2004-2005, the regular budgetary resources of UNCTAD amounted to $99 million (including the technical cooperation programme) and extrabudgetary resources to $55 million.

619. As of May 2006, 521 staff members were employed, comprising 358 regular staff members (100 series), 103 experts (200 series) and 60 persons on short-term appointments (300 series), as shown in table II.20.

Table II.20
Distribution of UNCTAD staff

	Professional and above		*Experts (L staff)*		*General Service Staff*		*Total*	
	Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Europe	122	51.3	54	52.4	99	55.0	**275**	**52.8**
Asia and Pacific	43	18.1	14	13.6	21	11.7	**78**	**15.0**
Africa	32	13.4	10	9.7	23	12.8	**65**	**12.5**
Latin America and Caribbean	19	8.0	18	17.5	19	10.6	**56**	**10.7**
North America	14	5.9	4	3.9	11	6.1	**29**	**5.6**
Near and Middle East	8	3.4	3	2.9	7	3.9	18	3.5
Total	**238**	**45.7**	**103**	**19.8**	**180**	**34.5**	**521**	

Source: IMIS detailed staffing table as of May 2006.

620. The staff members of United Nations Conference on Trade and Development came from 103 countries. However, more than one half originated in Europe.

621. **The Board recommends that the Secretariat of the United Nations Conference on Trade and Development endeavour to achieve a more balanced geographical distribution of its staff members.**

622. The Administration informed the Board that ECE and UNCTAD were participating in the human resources action plan system and that their heads of departments and offices had signed on for the fourth cycle of the system (2005-2006).

Gender balance

623. The goal set by the Fourth World Conference on Women of achieving a 50/50 gender distribution by 2000 in all categories of posts, especially at senior and policymaking levels, applies throughout the Organization, in every department, office or regional commission, overall and at each level. It applies not only to posts subject to geographical distribution but to all categories of posts, irrespective of the type or duration of appointment, the series of the staff rules under which the appointment is made or the source of funding.

624. Table II.21 presents the Board's analysis of the statistics on gender distribution in the Professional and higher categories with appointments of one year or more for the whole Secretariat. The overall percentage of women is still below the desired 50/50 goal as women represented only 37 per cent of the total staff of 5,976. By category level, women are severely underrepresented, occupying 15 per cent of posts at the Under-Secretary-General level, 20 per cent at the Assistant Secretary-General level, 27 per cent at the D-1 and D-2 levels and 38 per cent of posts in the Professional category.

Table II.21
Gender distribution by posts

Level of post	*Men*	*Women*	*Total*	*Percentage of women*
Under-Secretary-General	34	6	40	15
Assistant Secretary-General	39	10	49	20
D-2	82	32	114	28
D-1	261	98	359	27
Subtotal	**343**	**130**	**473**	**27**
P-5	663	299	962	31
P-4	1 231	668	1 899	35
P-3	1 103	782	1 885	41
P-2	340	325	665	49
P-1	—	3	3	100
Subtotal	**3 337**	**2 077**	**5 414**	**38**
Total	**3 753**	**2 223**	**5 976**	**37**

625. Of the 39 departments and offices in the Secretariat, including offices away from Headquarters, only 9 have either met or exceeded the goal of gender parity, as shown in table II.22. While in terms of overall distribution the performances of the Department of Public Information, intergovernmental bodies, the Office for the Coordination of Humanitarian Affairs and the Office of the United Nations High Commissioner for Human Rights were in line with the goal, it was not achieved at the P-4 to D-2 levels.

Table II.22
Gender distribution by office which met or exceeded goal of gender parity

Entity	*Men*	*Women*	*Total*	*Percentage of women*
1 Office of Human Resources Management	32	45	77	58
2 Office of Program Planning, Budget and Accounts	56	61	117	52
3 Department of Public Information	107	116	223	52
4 Intergovernmental organizations	8	8	16	50
5 Office for the Coordination of Humanitarian Affairs	40	42	82	51
6 Office of the United Nations High Commissioner for Human Rights	52	64	116	55
7 Office of the Ombudsman	1	2	3	67
8 Office of the Special Adviser on Africa	2	6	8	75
9 United Nations Fund for International Partnerships	3	4	7	57

626. The 10 offices which had the lowest representation of women (ranging from 0 to 31 per cent) were the Regional Commissions Liaison Office, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict, the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC), the Department of Safety and Security, the office of the Capital Master Plan, and Office of Central Support Services of the Department of Management, the Department for Disarmament Affairs, ESCAP and ECA.

627. As envisaged in Secretary-General's bulletin ST/SGB/282, the full participation of women in all aspects of the work of the United Nations is imperative, not only for reasons of equity, but also to enhance the effectiveness of the Secretariat and the credibility and the leadership role of the United Nations in advancing the status of women throughout the world. The Office of Human Resources Management commented that it continued to set gender targets and monitor the human resources action plans of departments and offices. It has committed to consulting on a regular basis with departments and offices that experience difficulties in meeting gender targets, with a view to identifying the factors that contribute to problems in the recruitment of women for and their retention in posts in the Professional and higher categories.

628. Under the reform programme of the Office, recruitment would be more proactive. To attract more qualified female applicants, targeted recruitment campaigns, including campaigns directed at women's organizations, would be conducted. The Office concurred with the need for continued monitoring in regard to achieving the goal of 50/50 gender distribution by concerned departments. In accordance with administrative instruction ST/AI/2002/4, the head of department or office is accountable to the Secretary-General for the manner in which the selection process is conducted in his or her department or office, and for the progress made towards achieving the targets for geography and gender balance set out in the departmental human resources action plan.

629. **The Administration agreed with the Board's recommendation that it continue to take appropriate measures to achieve the goal of gender parity in the Secretariat.**

Personnel database

630. The Board made the following observations, inter alia, in its review of the detailed staffing table under the personnel module of IMIS: there were blank entries in the "old post number" field, where the post number includes the allotment account of the staff member; there was an absence of information on some staff member's nationality in the "country ID code" field; and only one staff member each was reflected for ECLAC, UNEP, the United Nations Office at Geneva and the United Nations Office at Vienna.

631. The staffing table in the Human Resources Information Technology Section showed 25 blank entries in the "Fund" field. The reliability and integrity of the IMIS database are important as the fields affected are necessary for the determination of the number of staff members with geographical status, and are used as bases for generating human resources reports. The executive offices and programme managers also rely on the data in terms of human resources management in the respective substantive offices.

632. The IMIS database is also one of the sources of data for the Human Resources Information Technology Section in generating reports for the stakeholders and those in charge of governance, in particular in the determination of geographical representation and gender distribution. The Section filters the data in IMIS along with the other sources, inter alia, Galaxy, the performance appraisal system and training-related areas to obtain correct data as at a given date which are used in the preparation of human resources reports.

633. The Office of Human Resources Management commented that IMIS has records for approximately 94,000 staff members, including those who had separated from the Organization, and some of the errors cited were well within the range of the standards for error in such a large volume of data. Nevertheless, the Office was reviewing the data in IMIS on a monthly basis to ensure their accuracy and completeness, in coordination with the executive offices at Headquarters and the administrative offices at duty stations away from Headquarters. The Office was also working on improving its filtering tools and procedures.

634. **The Board recommends that the Administration ensure the accuracy and reliability of human resources data in the Integrated Management Information System by coordinating more frequently with executive offices in regard to the corrections or updates to be undertaken.**

635. The Administration informed the Board that it currently reviews data in IMIS on a monthly basis to ensure their accuracy and completeness, in coordination with the executive offices at Headquarters and the administrative offices at duty stations away from Headquarters.

Filling vacant posts

636. For the biennium 2004-2005, the Board noted that the United Nations Peacebuilding Support Office in Guinea-Bissau (UNOGBIS) had 30 authorized posts (see A/59/534/Add.1), but only 25 posts were filled as at 30 June 2005, a 17 per cent vacancy rate. The high rates of vacancy were noted: 44 per cent for Professional staff and 29 per cent for international staff.

637. In this regard, UNOGBIS commented that it was unable to get competitive staff on board owing to the poor and hazardous living conditions, lack of adequate facilities, high cost of living and unattractive package when compared to other agencies and missions in the locality. UNOGBIS was of the view that only when those conditions had been addressed would the problems concerning vacancy posts be reduced to minimum.

638. For the period from 1 January 2004 to 31 December 2005, the target set by ESCWA of 120 days or less as the average number of days between the date of issuance of the vacancy announcement and the date of approval of the selection decision by the head of department was not achieved as it obtained a combined weighted average of 146 days against the set target of 120. This combined average included seven internal appointments (111 days average) and eight external appointments (178 days average), with the shortest and longest selection periods at 64 days and 270 days, respectively. Also, the recruitment period exceeded 120 days from the vacancy announcement date to the date of approval by the Executive Secretary in 8 out of the 10 appointments sampled for the period from 1 January 2004 to 31 December 2005.

639. According to ESCWA, the effective filling of posts was hampered by the security situation and living conditions in Lebanon, the fact that certain posts had specific language requirements, and the need to adhere to requirements as regards gender balance and geographical representation. These factors impacted upon the process of obtaining the most suitable candidate in the shortest period possible. ESCWA stated that it would make every effort to achieve shorter recruitment periods within the framework of the current system by means of more rigorous monitoring.

640. **The Administration agreed with the Board's recommendation that it facilitate action to fill vacant posts at the United Nations Peacebuilding Support Office in Guinea-Bissau and continue its efforts to reduce the recruitment time in regard to vacant posts.**

641. The Administration informed the Board that it had put in place a number of mechanisms that would facilitate the identification of qualified personnel with a view to facilitating their deployment in the shortest possible time, while adhering to a fair and transparent process. The Department of Peacekeeping Operations, in collaboration with the Office of Human Resources Management, had established the Nucleus system, which was a suite of human resources applications integrated with IMIS and Galaxy. In the Nucleus system, Galaxy served to attract applications by posting generic and post-specific vacancy announcements for positions at field missions. Through the Nucleus applications, field programme managers could access the Nucleus roster search tool and identify a short-list of pre-screened and technically cleared candidates for further review at the mission level and select candidates for the forecasted vacancies.

642. In its previous report, the Board noted that the staffing of UNICRI financial and management services was a matter of concern and recommended that the Administration take appropriate measures to fill vacant posts in a timely manner.[38] As of May 2006, the post of Deputy Director had been vacant since the resignation of the former incumbent on 31 January 2006, and the newly created post of Finance Officer to replace the Executive Officer who retired on 1 April 2006 had yet to be filled. While the recruitment process for the post of Deputy Director was ongoing, the vacancy announcement for the post of Finance Officer had not been published by 30 April 2006. UNICRI had initiated preliminary steps, but the recruitment process was the responsibility of the United Nations Office at Vienna.

643. **The Board reiterates its recommendation that the Administration fill vacant posts in a timely manner.**

644. The Board reviewed the timespan for filling posts that became vacant between January 2005 and April 2006. Delays ranged from 1 to 469 days, with an average of about 200 days, or seven months. While showing an improvement over the average nine months in the previous biennium, the timespan required to fill vacant posts was still much beyond the objective of the Office of Human Resources Management of 120 days, also targeted in the human resources action plan of ECE for the 2005-2006 cycle.

645. For Professional posts, ECE explained the delays by the time needed to review the candidates, and considered that it had already exerted efforts to limit the

[38] Ibid., para. 292.

duration of its vacancies. The delays were also due to the time taken by the human resources services at the United Nations Office at Geneva to review posts and applications.

646. **The Board recommends that ECE, in liaison with the Human Resources Management Service of the United Nations Office at Geneva, review its management of vacancy announcement and recruitment processes to ensure that vacant posts are filled within the established time frame of 120 days.**

Staff grading

647. The post incumbency report of ESCWA, dated 23 February 2006, showed 10 staff either appointed at a lower grade but occupying and performing the functions of a higher level post, or appointed at a higher grade but occupying a lower level post. ESCWA informed the Board that its current staffing table contained a number of instances in which the staff member's personal grade deviated from the grade of the post against which the staff member was charged, owing to the following:

(a) Under the staff rules, there are provisions to compensate a staff member for temporarily taking on higher responsibilities, for example, to replace a staff member on peacekeeping mission or on special leave. This is reflected in the staffing table, whereby the staff member is in receipt of a special post allowance while remaining at his or her grade (3 of the 10 cases noted);

(b) Pending recruitment for a post, programme managers have the option of making a temporary or short-term appointment against a post that is vacant. Such appointments are often made at a lower level, because temporary staff may not have the level and/or amount of experience required to fulfil all functions of the post (2 of the 10 cases noted). ESCWA works towards reducing the number of such temporary appointments by the timely filling of posts with regular appointees and by introducing more flexibility in regard to the requirement of Arabic language knowledge for candidates for P-2 posts;

(c) ESCWA is in the process of implementing a major classification review of General Service posts wherein more than 40 posts have been reclassified upwards or downwards; the review would be completed in 2006 (5 of the 10 cases noted).

648. The Economic and Social Commission for Western Asia also informed the Board that the cases falling under (a) and (b) above were operational in nature and were part of the normal process of staffing table management. Therefore, it was to be expected that there would be a small number of such cases in the staffing table at any one time. The cases falling under (c) were expected to disappear once the classification review was fully completed.

649. **The Board recommends that the Economic and Social Commission for Western Asia appoint staff at levels in line with the job requirements and in accordance with the approved staffing table, and expedite the ongoing post classification review to ensure that post levels are aligned with the respective job requirements and staffing needs.**

Staff training

650. Except for a one-week training session for the Accounting Assistant in 2005, none of the staff members of UNICRI has benefited from formal training in the past

nine years. In spite of a recommendation issued in 2005, no training plan has been developed for the biennium 2006-2007. The Institute indicated that such a plan would be established in the near future, taking advantage of the envisaged cooperation with the United Nations System Staff College, located in the same premises in Turin.

651. **The United Nations Interregional Crime and Justice Research Institute agreed with the Board's recommendation that it compile a training programme based on needs assessment.**

16. Consultants and individual contractors

Adherence to administrative instructions

652. In its previous report, the Board recommended that the Administration continually assess and monitor strict adherence to administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors.[39] The Board's review of compliance with these instructions at some substantive offices at United Nations Headquarters, offices away from Headquarters and regional commissions for the biennium 2004-2005 disclosed that some practices were inconsistent with the established rules:

(a) There was no common roster of consultants as each division or department maintained its own list (Department for Disarmament Affairs, ECLAC in Mexico, Office of the United Nations High Commissioner for Human Rights), or there was no roster at all (Department of Public Information, Office of Human Resources Management, ECLAC in Santiago), while the Department of Political Affairs, the Office of the Special Representative of the Secretary-General for Children and Armed Conflict, INSTRAW and the Department of Economic and Social Affairs selected consultants not on their respective rosters. While the Administration accepted the Board's recommendation that the Department for Disarmament Affairs consider consultants from the roster of qualified candidates based on as many nationalities as possible, the Administration is of the view that, in recruiting experts to support the work of subsidiary organs established by the Security Council, the wishes of members of the Council, as expressed by the Chair of the Security Council Committee established pursuant to resolution 1540 (2004), must also be taken into consideration;

(b) There were no justifications or documentation supporting the selection of the most qualified candidates for appointment as consultants, for example, a description of skills, prior engagements and experience (ICSC, United Nations Office at Nairobi), or incomplete disclosures in the supplementary data supporting the appointment of former United Nations staff members (United Nations Office at Nairobi);

(c) Consultants and contractors were allowed to commence work prior to the approval of their contracts (ECLAC in Santiago) and even without submitting their health certificates (Office of the Special Representative of the Secretary-General for Children and Armed Conflict, Department of Economic and Social Affairs, Department for Disarmament Affairs, INSTRAW), or were allowed to submit the medical certificates after the commencement of work (Department of Economic and

[39] Ibid., para. 256.

Social Affairs). Also, the requirement for health certification was not enforced in regard to consultants and contractors on travel status (Department for General Assembly and Conference Management, Department of Economic and Social Affairs) and, when there was no indication of the workplace in the consultant's contract and in the terms of reference (Department of Economic and Social Affairs);

(d) The performance of consultants was not evaluated (ESCAP Statistical Institute for Asia and the Pacific (SIAP), INSTRAW, United Nations Office at Nairobi, Department for General Assembly and Conference Management). ESCAP-SIAP commented that, for long-duration contracts, regular monthly reports on a consultant's performance were prepared, while the Department for General Assembly and Conference Management and INSTRAW asserted that form P.106/A (contract for individual contractor) was used for the formal evaluations of work performed during the interim and final periods of all consultant contracts;

(e) The terms of reference, or form P.104/A (contract for consultant), covering one contract was not submitted on time (Office of the Special Representative of the Secretary-General for Children and Armed Conflict) or in several cases did not form part of the consultant contracts (Department of Economic and Social Affairs, ICSC, Department of Public Information, Office of Human Resources Management, ECLAC in Trinidad and Tobago). Also, the terms of reference did not indicate or specify the specific objectives and targets (Department for Disarmament Affairs, ECLAC in Mexico), tangible and measurable outputs of work assignments (INSTRAW, Department of Economic and Social Affairs, Department for Disarmament Affairs, ECLAC in Mexico, ECLAC in Trinidad and Tobago, ESCAP-APCTT, ESCAP-SIAP), delivery dates (INSTRAW, Department of Economic and Social Affairs, Department for Disarmament Affairs, ECLAC in Mexico, ECLAC in Trinidad and Tobago, ESCAP-APCTT), and performance indicators (INSTRAW, Department for Disarmament Affairs, ICSC, ECLAC in Mexico, ECLAC in Trinidad and Tobago, ESCAP-APCAEM). ICSC explained that comprehensive terms of reference were normally established for large projects, except for short-term assistance where the terms of reference were defined in the pre-established form for a request for consultants;

(f) Fees were initially paid to some consultants and contractors at 40 per cent of the contract amount, in excess of the 30 per cent limit (Department of Economic and Social Affairs, Department of Public Information), without documented justification (ESCAP headquarters, Department of Public Information), and in lump-sum amounts for travel and other expenditure related to group training courses (ESCAP-SIAP);

(g) Two certifying officers were granted the authority to approve the contracts of several consultants (INSTRAW). The Administration admitted that there were overlaps in designating staff members as certifying officers, approving officers and bank signatories. It explained that in a very small office like that of INSTRAW, which has only four Professional staff, it was difficult to maintain separate delegations of authority for certifying and approving officers, as well as bank signatories, without affecting the day-to-day operations should any of the officers be away on mission or leave. However, the Administration commented that it would abide with whichever policy or guidelines that the Office of Programme Planning, Budget and Accounts provided;

(h) The submission of the work output of four contractors was delayed by between 14 and 19 days (ESCAP-SIAP);

(i) The gender distribution ratio of consultants was below the established goal of 50/50 (Department of Political Affairs, Department for General Assembly and Conference Management, Department of Public Information, Office of Human Resources Management), and in regard to geographical representation, statistical data showed an inequitable hiring of consultants who mostly came from a few regions (Department of Political Affairs, Office of Human Resources Management, United Nations Office at Nairobi).

653. **The Administration agreed with the Board's recommendation that it exert more effort in assessing and monitoring strict adherence to the administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors.**

17. Response of the Office for the Coordination of Humanitarian Affairs to the Indian Ocean tsunami

654. On 26 December 2004, an earthquake off the coast of Indonesia registering 9.0 on the Richter scale created a massive tsunami, which struck Indonesia before surging towards Thailand and then moving across the Indian Ocean to strike Sri Lanka, the Maldives and, finally, the western coast of Africa in Somalia and Kenya. An estimated 240,000 people died because of the disaster and over one million people were displaced. The earthquake on 28 March 2005 added to the toll in Nias, Simeuleu and southern parts of Aceh, Indonesia.

655. The Board visited the offices of the Office for the Coordination of Humanitarian Affairs in three tsunami-affected countries (Sri Lanka, Indonesia, Thailand), as well as its Geneva and New York headquarters, to review how the Office performed its coordination mandate and managed the tsunami operation.

Administrative and financial capacity

656. At the time of the tsunami, 17 per cent of the posts on the Office's Geneva staffing table were vacant, including that of the Chief of the Administrative Office (vacant for seven months) and the Chief of the Human Resources Section. This depleted capacity affected the ability of the Office to respond quickly and effectively to the administrative and financial challenges of the tsunami operation.

657. **The Board recommends that the Office for the Coordination of Humanitarian Affairs improve its human resources planning to avoid long periods of vacancies in its administrative offices.**

658. No administrative officer was sent to the tsunami-affected countries for the longer term. By the end of October 2005, there were 55 staff members in the Sri Lankan offices and, by January 2006, over 70 in the Aceh and Nias offices. The financial and administrative management of the operation relied mainly on newly recruited national staff acting as administrative assistants, who benefited from the intermittent short-term support of administrative officers sent on mission. Although UNDP provided assistance, this was essentially limited to accommodating some of the field offices and performing basic procurement and recruitment functions on behalf of the Office.

659. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs deploy adequate administrative and finance staff when setting-up new offices or responding to large-scale emergencies.**

660. The management of the field offices was also hampered by the lack of an administrative manual. The draft of the administrative manual for field offices, proposed in November 2004, was not officially approved until May 2006. This created legal, administrative and financial uncertainty that was detrimental to the control environment of the Organization, as shifting references were made to varying sets of rules (United Nations Headquarters and UNDP rules and regulations), according to the circumstances.

Human resources management

661. When the tsunami struck, the Office for the Coordination of Humanitarian Affairs did not have a ready roster of staff members willing to be redeployed to take part in emergency relief operations. On 31 December 2004, the Geneva office began identifying such staff members, 30 of whom were deployed to the tsunami operation, mainly from the Geneva and New York offices. The duration of their missions was almost systematically extended beyond the initial three weeks. In Indonesia and Sri Lanka, mission staff stayed on average for between one month and 1.4 months, although some individuals stayed for up to six months.

662. One of the main reasons for extending the stay of mission staff was that the processing of fixed-term recruitments was delayed. At first, the Office created 35 temporary posts, including 17 in Geneva, 32 in Indonesia, 12 in Sri Lanka and 2 each in the Maldives and Thailand. However, by 1 March 2005, only 11 recruitments had been completed for Indonesia, 7 for Sri Lanka and 1 for Thailand. The causes for those delays included the absence of a roster system for the quick deployment of externally recruited staff, the absence of standard terms of reference for field posts, and the use of the standard recruitment processes of the United Nations Office at Geneva for emergency recruitments.

663. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs develop procedures for the quick deployment of recruited candidates in emergencies.**

664. The Administration informed the Board that it had obtained a delegation of authority for the recruitment and administration of field staff on 200 series service contracts and that it would design a roster and vacancy management system. Both are due to be implemented from 1 January 2007.

665. Although the Office for the Coordination of Humanitarian Affairs eventually managed to deploy 74 international professionals to the disaster, difficulties in the identification and recruitment of a sufficient number of qualified staff were one of the most serious obstacles to the effectiveness of the Office in the tsunami operation. In January 2005, the office in Sri Lanka wrote that timing was critical, and that field-based operational coordination to support United Nations focal points and the Government's district secretariats was needed immediately for the relief phase, and should be phased out within three months. However, the Galle sub-office opened in mid-February 2005, the Batticaloa office opened on 2 March and the Ampara office on 7 March, nine weeks after the tsunami. The shortage of human

resources was such that the Office for the Coordination of Humanitarian Affairs put an intern in charge of one of its sub-offices, located in a phase III area that was one of the most heavily affected by the tsunami, for the period from 12 July to 22 August 2005.

666. The record of the Office for the Coordination of Humanitarian Affairs was comparatively better in Indonesia, where sub-offices were opened between 9 January and 1 February 2005, as priority was given to assigning individuals to the country most affected. However, the position of Deputy Humanitarian Coordinator in Aceh and Nias was vacant for 19 weeks in 2005 and, by January 2006, 63 per cent of the international professionals and 73 per cent of the heads of sub-offices had had no prior experience with the Office.

667. The Office for the Coordination of Humanitarian Affairs faces the challenging task of recruiting experienced staff members for relatively short-lived missions in difficult terrain. Its terms and conditions are often not perceived as particularly advantageous compared to those of other United Nations funds and programmes recruiting from the same talent pool, at the same time and for the same destinations.

668. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs review its human resources management model, in consultation with other United Nations funds and programmes, to avoid the recurrence of delays and vacancies in its emergency operations.**

Safety and security

669. In Sri Lanka, both phase III area sub-offices did not comply with the minimum operating safety standards. For example, three staff members had to share two hand-held radios and satellite phones, two flack jackets and two helmets, while an intern had not undergone security in the field training before being posted to a phase III area. The vehicles in both sub-offices were not fully compliant with the minimum operating safety standards (i.e., lack of radios, VHF equipment, medical kit, fire extinguisher). The Indonesian office was not in a position to monitor the compliance of its operations with the standards since it had received the compliance checklist of only two of its seven Aceh and Nias sub-offices.

670. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs ensure compliance with the minimum operating safety standards.**

Financial and budgetary controls

671. There is a need for manual reconciliation of two non-compatible information systems, the United Nations IMIS and the UNDP Atlas. Once cost plans are approved, allotments are entered into IMIS by the Office for the Coordination of Humanitarian Affairs at Geneva, using the IMIS object codes. A financial cable is sent to the relevant offices and to those of UNDP, for implementation in the field. The allotments are then entered into Atlas, which involves splitting 17 IMIS codes into 60 Atlas categories. Next, commitments and disbursements are entered into Atlas following the UNDP classification. Expenditures are then manually re-entered in a spreadsheet by the local staff of the Office for the Coordination of

Humanitarian Affairs to convert them back to the IMIS breakdown so as to allow for monitoring the of implementation of the local budget.

672. Following the receipt of electronic inter-office vouchers from UNDP, the Office for the Coordination of Humanitarian Affairs in Geneva manually re-enters the disbursements into IMIS. In total, between the drafting of the cost plan and the financial statements, six manual operations are performed, two of which are identical but carried out at different times by the field office and at Geneva, and three of which involve the conversion of data from one accounting framework into another. Each of these manual steps presents a risk of error in the recording of allotments or expenditures. The burdensome nature of the process has also led to significant delays in the processing of the electronic inter-office vouchers. On average, the delay for the review by the Office for the Coordination of Humanitarian Affairs in Geneva of the vouchers of the Indonesian office was three months for goods and services and six months for payroll.

673. **The Board recommends that the Office for the Coordination of Humanitarian Affairs overhaul accounting procedures and systems to reduce the volume of manual processing effort and improve efficiency.**

674. Field offices were unable to log on directly to IMIS to follow the rate of expenditure of their budgets. Therefore, the Office for the Coordination of Humanitarian Affairs devised the Financial Accounting System (FAS) to provide field offices with income and expenditure data from IMIS. This project, initiated in 2001, had cost $467,483 as at August 2005, when the Office indicated that it had become operational. However, of the three offices visited by auditors, one (Sri Lanka) could not log on to FAS, while there were discrepancies in the data of the other two offices (between the approved cost plan and the allotments recorded in FAS, or between actual and recorded disbursements for field-managed expenditure).

675. **The Board recommends that the Office for the Coordination of Humanitarian Affairs intensify its efforts to develop the Financial Accounting System so that it can be effectively used by its field offices.**

Bank and cash deposits

676. The following observations were made in relation to banking in Indonesia and Sri Lanka:

(a) Banks statements for two of six bank accounts in Indonesia were not produced. These bank accounts were opened without the authorization of the Under-Secretary-General for Management;

(b) No monthly bank reconciliations were performed;

(c) Petty cash custodians were not formally designated as such.

677. **The Board recommends that the Office for the Coordination of Humanitarian Affairs take steps to obtain bank statements for all accounts in Indonesia and Sri Lanka under its control and perform a monthly reconciliation. The Board also recommends that the Office obtain covering approval from the Under-Secretary-General for Management for the bank accounts which were opened without prior approval and formally designate custodians of petty cash in Indonesia and Sri Lanka.**

Procurement

678. The Office for the Coordination of Humanitarian Affairs in Geneva ordered two computer servers for tsunami-related operations on 29 April 2005, and a third server and two hard disks on 4 May 2005. A total of three purchase orders, worth $31,606, were issued to a single supplier, without an invitation to bid.

679. In Sri Lanka, the minimum standard specifications for two air-conditioning units were not provided to UNDP by the Office. This was not compliant with the UNDP Procurement Manual (sect. 6.2.1) and UNDP financial rule 121.03. Once they had been acquired, at a cost of $1,500, the Office for the Coordination of Humanitarian Affairs realized that they did not meet the needs of the sub-office for which they had been purchased. At the time of the audit, they were still unutilized.

680. In Indonesia, a boat (costing $17,327), a generator (costing $6,129) and electronic equipment (costing $6,309) were acquired without formal requisitions and purchase orders. The Administration explained that this was due to the emergency situation.

681. **The Board recommends that the Office for the Coordination of Humanitarian Affairs ensure, as far as possible, strict compliance with the procurement manuals in respect of invitations to bid, the specification of items to be purchased and in reviewing requisitions and placing orders.**

Asset management

682. At the Indonesian and Sri Lankan offices, the inventory system was not adequate as items were not tagged, their values were not recorded or their serial numbers were missing. In Sri Lanka, there were inconsistencies between the lists kept by sub-offices and the equivalent lists maintained by the head office.

683. In Indonesia, the list of non-expendable property contained 548 items, but values had been recorded for only 21 of them (3.8 per cent). The Office for the Coordination of Humanitarian Affairs indicated that its office in Indonesia had provided an updated inventory in March 2006, and that it would carry out a full inventory by the end of June 2006.

684. The Board noted that the field offices visited did not maintain adequate control over their fleet of vehicles, in terms both of maintenance and verification of fuel consumption. The Administration stated that some progress had been made following the Board's visit.

685. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs implement an improved system for asset and inventory management for its field offices.**

Flash appeal and the monitoring of financial flows

686. The Financial Tracking System (FTS) of the Office for the Coordination of Humanitarian Affairs was launched in 2000 and was being upgraded to overcome identified weaknesses at the time of the tsunami. As this system did not cover expenditure, the Inter-Agency Standing Committee decided in the early stages of the tsunami operations to create the Expenditure Tracking System (ETS), which is maintained by the Office for the Coordination of Humanitarian Affairs. Although ETS was developed with the help of a pro bono offer of services, it required

manpower to service it, estimated at $430,500 (senior programme manager, database administrator, administrative assistant etc.). This extra cost had not been anticipated or budgeted when the offer of assistance was accepted, and a grant was requested from the United Nations Foundation to finance it.

687. The ETS website was launched in May 2005. Participating agencies had committed themselves to providing the information to the Office in Geneva on a monthly basis. The website indicated that the expenditure information was a real-time snapshot, and although it could not yet be considered certified and able to be audited, it was meant to provide a meaningful indication of how agencies were handling funds.

688. Several agencies did not provide any information on expenditure, even though they had requested funds as part of the flash appeal projects. This was the case for the Department of Safety and Security of the United Nations Secretariat, UNESCO, UNEP and the Joint United Nations Programme on HIV/AIDS (UNAIDS). Although non-governmental organizations had been encouraged by the Emergency Relief Coordinator to submit data, only 3 of 20 did so. Moreover, some participating agencies (UNDP and UNHCR, in particular) had not reported on the allocation to specific projects of some $30 million of unearmarked funds.

689. The Office for the Coordination of Humanitarian Affairs did not reconcile ETS expenditure statements with the financial statements of participating agencies. It explained that the reconciliation would be difficult in any case as the delineation of flash appeal projects provided by the agencies did not always match the delineation of projects in their internal financial systems.

690. Participating agencies have agreed to use the cash plus accrual basis when reporting on the total expenditure amount to ETS. However, two agencies (ILO and the International Organization for Migration (IOM)) were using the cash basis of accounting. Consequently, the data they provided would underestimate their expenditure rate compared to those calculated on an accrual basis. Similarly, other agencies (such as UNICEF) only calculated unliquidated obligations at the end of financial periods. Therefore, any interim figure provided would be given on the basis of disbursements, not commitments.

691. **The Board recommends that the Office for the Coordination of Humanitarian Affairs coordinate with participating agencies to ensure consistency in the approach to tracking expenditure related to emergency relief.**

692. When ETS was conceived and agreed on by agencies, it was not yet known that the office of the Special Envoy would encourage the creation of a series of donor assistance databases, funded by UNDP and maintained by national governments. These databases would track the funding and expenditure of all tsunami-related activities, including long-term reconstruction (beyond the flash appeal).

693. The Board identified major inconsistencies between the donor assistance database figures, the ETS figures and the official figures provided by the United Nations Recovery Coordinator for Aceh and Nias to the Indonesian Government. For instance, as at 31 December 2005, ETS indicated that flash appeal agencies had received $357.4 million for Indonesia, whereas the Recovery Aceh Nias Database (RAND), which covered a wider scope, only showed $295.1 million. The discrepancies for individual agencies varied between 97 and 510 per cent. The

official figure (including recovery projects) was $684.2 million (according to the accountability statement, signed by the Recovery Coordinator and addressed to the Head of the Reconstruction and Rehabilitation Agency). Similarly, the total spent by IOM appeared as $40.8 million on the ETS database, whereas it appeared as $33.1 million in the official figures transmitted to the Government. Conversely, the relevant figures for UNDP were $18.6 million in ETS as against $37.9 million reported to the Government.

694. The discrepancies were due to the differing procedures and formats of the tracking system. Staff of the donor assistance databases request and receive the information from country offices, whereas FTS and ETS receive it from agency headquarters. This had consequences in the full accounting of expenditure, as country offices often excluded the part of funding that they do not control, unlike headquarters. The Administration intends to develop a unified method of reporting funding and expenditure.

695. **The Board recommends that the Office for the Coordination of Humanitarian Affairs liaise with participating agencies to reconcile the information fed into the Expenditure Tracking System and the donor assistance databases to ensure full and accurate reporting of expenditure.**

696. Data from participating agencies were not submitted in a timely manner. For instance, as at May 2006, the most recent data updates for Indonesia had been made in July 2005 for the World Food Programme (WFP), and in December 2005 for ILO, United Nations Population Fund (UNFPA), UNICEF, the United Nations Industrial Development Organization (UNIDO) and the World Health Organization (WHO). The Office for the Coordination of Humanitarian Affairs had most recently updated its own expenditure figures on 1 March 2006 for Indonesia and Sri Lanka, but for its projects in Somalia and the Maldives, on 31 December 2005.

697. Even though reminders were sent to agencies, the Office for the Coordination of Humanitarian Affairs had no means of compelling them to submit data. Some agencies have changed or realigned their flash appeal projects without informing ETS of the changes (i.e., increase/decrease in project requirements; merging of several projects; deletion of projects). However the Office had been unable to follow up these cases with all agencies for want of sufficient manpower.

698. **The Board recommends that the Office for the Coordination of Humanitarian Affairs improve coordination among the participating agencies in regard to the timely submission of data for the Expenditure Tracking System.**

Emergency preparedness and contingency planning

699. The primary responsibility of establishing contingency plans for potential emergencies rests with each United Nations country team, under the leadership of the resident coordinator/humanitarian coordinator. To provide guidance and support to humanitarian coordinators, the Inter-Agency Standing Committee has established a working group on contingency planning and disaster preparedness. It had planned a review of existing inter-agency contingency planning guidelines in the first half of 2004, but postponed it to the second half of the year, then deferred it to 2005. The Administration indicated in December 2005 that this review featured on the 2006 workplan of the working group. It also indicated that certain United Nations country

teams were weaker, and/or disaster management and contingency planning did not rate high on their list of priorities.

700. In the report on early warning and early action prepared by the working group of the Inter-Agency Standing Committee in September 2004, the only mention of South Asia was of the possibility of tropical storms in relation to the monsoon. By the time the tsunami struck in December 2004, there were no comprehensive, up-to-date United Nations-wide disaster preparedness and emergency plans in the most affected countries (Indonesia, Sri Lanka and Maldives), although individual agencies, including the Office for the Coordination of Humanitarian Affairs, had developed some plans of their own.

701. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs request a prompt review by the Inter-Agency Standing Committee of the guidelines for contingency planning and emergency preparedness to ensure a timely and adequate response to emergencies.**

Relationships between the Office for the Coordination of Humanitarian Affairs in New York and in Geneva

702. When the tsunami struck, the Office for the Coordination of Humanitarian Affairs was about to reorganize its management structures in order to streamline decision-making, strengthen field support and provide a more integrated response to humanitarian emergencies.[40] The Humanitarian Emergency Branch, based in New York, and the Response Coordination Branch, located in Geneva, were to be merged into a Coordination and Response Division, under a director based in New York, as at 1 January 2005. This would combine all desk functions for both complex emergencies and natural disasters.

703. The primary entry point for complex emergencies would be the desk officer or section chief in the Coordination and Response Division in New York, whereas the primary entry point for natural disasters would be the equivalent position in the Coordination and Response Division in Geneva. Most of the tools and procedures used to deal with natural disasters were operated from Geneva, whereas the political aspects of complex emergencies were dealt with from New York. The Coordination and Response Division, with 49 posts in Geneva, was to report both to the Geneva-based Assistant Emergency Relief Coordinator (through the Deputy Director) and to the New York-based Under-Secretary-General and Emergency Relief Coordinator (through the Director of the Coordination and Response Division).

704. During the tsunami emergency, however, this division of responsibilities was not strictly followed as the Office in New York took a leading role in the operation. The nomination of the Deputy Emergency Relief Coordinator as the Special Coordinator of the Secretary-General for the tsunami, followed by the designation of the Secretary-General's Special Envoy for Tsunami Recovery, added to the complexity of the reporting lines from the point of view of the field. The deployment of staff to the field by the Office in New York, without prior consultation with the Office in Geneva or the field, was an illustration of the risks involved in the dual accountabilities.

[40] Office for the Coordination of Humanitarian Affairs, *Annual Report, 2004: Activities and Use of Extrabudgetary Funds*, p. 46. Available online at http://ochaonline.un.org.

705. The Emergency Relief Coordinator attempted to clarify the reporting lines between New York and Geneva, but did not indicate how the Office in Geneva could be held accountable for the response to natural disasters if the Office in New York was allowed to take a leading role in major crises. Conversely, the standard operating procedures, whereby the tools managed by the Emergency Services Branch in Geneva would be made available to the Office in New York in such circumstances, remained unclear. The Administration indicated that this was being addressed in the full implementation of the merger of the New York and Geneva branches, an improved relationship with the Emergency Services Branch and the development of clearer standard operating procedures and guidelines. It had also requested an evaluation by the Office of Internal Oversight Services of the merger of the New York and Geneva branches.

706. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs streamline the lines of responsibility, accountability and authority for natural disasters and complex emergencies.**

Immediate response of the Office for the Coordination of Humanitarian Affairs to the tsunami

707. Five United Nations Disaster Assessment and Coordination (UNDAC) teams, comprising 44 disaster-response experts from 18 countries and four international organizations, were deployed to five of the tsunami-affected countries. Although they were sent to the field in a timely manner, they were not provided with a briefing pack before arriving in the country of operation. The Administration explained that this was because the tsunami happened at a time when the Office was understaffed (i.e., in the end-of-year holidays). There was, however, no evidence of an evaluation of the performance of the individual team members in previous emergencies.

708. The Administration explained that, as the selection of UNDAC team members was made by participating Member States, any system for formally evaluating a team member would require the agreement of the countries concerned and endorsement by the UNDAC advisory board. Previous attempts to introduce such a system had not been accepted and risked a loss of support. However, the Board is of the view that the Office for the Coordination of Humanitarian Affairs has the prerogative to select which UNDAC team members to use in its operations.

709. **The Board recommends that the Office for the Coordination of Humanitarian Affairs systematically assess the performance of members of United Nations Disaster Assessment and Coordination teams and use that assessment as a basis for sending response teams to a disaster zone.**

710. The UNDAC teams issued cross-sectoral situation reports that were sent to the Office in Geneva on a regular basis. The format, length and content of those reports varied from one country to another. Assessment missions were sent by multiple United Nations agencies in the immediate aftermath of the tsunami. Sri Lanka was the only country in which the various assessments were consolidated into a common report that summarized the needs by district as at 5 January 2005. In Thailand, joint assessments were undertaken, but the UNDAC team was not invited to participate. In the other countries, the UNDAC teams did not consolidate their reports with those of other United Nations assessments. The consolidation exercise was

hampered by the fact that United Nations agencies do not all use the same needs assessment methodologies. As the secretariat of the Inter-Agency Standing Committee, the Office has a responsibility to ensure that such harmonization moves forward.

711. **The Board recommends that the Office for the Coordination of Humanitarian Affairs take the lead role in ensuring the harmonization of needs assessment methodologies among concerned United Nations agencies in the event of emergencies.**

Logistics contribution of the Office

712. In Sri Lanka, the Government had waived import taxes and duties for all relief items and introduced a simplified centralized clearance procedure. The clearing of goods through Customs and their physical handling initially ran smoothly throughout January 2005. However, on 4 February 2005, a return to pre-tsunami customs procedures was enforced. This followed reports that commercial goods had been imported fraudulently, using the facilities provided by the Government for the tsunami relief operation.

713. In accordance with the new policy, United Nations agencies could still import relief items free of taxes, if cleared by each line ministry. Specific procedures were defined for each category of items. Additional requirements pertained to telecommunications equipment, in particular very small aperture terminals (VSATs), and vehicles. The immediate consequence of this change of policy was to slow down the clearing of goods of United Nations and humanitarian agencies.

714. By 14 February, UNICEF reported a great number of goods awaiting clearance in ports and airports. Other United Nations agencies were also affected by this sudden bottleneck, among them IOM (construction and communication equipment), WHO (vehicles, laboratory equipment and VSATs), UNHCR (tents, pipes and communications equipment), UNDP, WFP (non-food items). This equipment was delayed in Customs for a period ranging from between three to four months (UNHCR tents, IOM communications equipment).

715. The Humanitarian Coordinator raised the issue with the Government late in February, to no avail. By 7 March 2005, 250 containers were awaiting clearance at the port of Colombo, and 290 by the first week of April. Particular difficulties were recorded regarding VSAT equipment. The difficulties were compounded by the fact that each agency had sent this type of equipment without consulting each other. A number of representatives of operational United Nations agencies insisted on the significant challenges that the customs issue represented for the implementation of their relief programme, and expressed regret that the Office for the Coordination of Humanitarian Affairs and the Humanitarian Coordinator had not been more successful in achieving its early resolution.

Civilian-military coordination

716. The first civilian-military coordination officers were deployed to Sri Lanka and Indonesia on 4 January 2005, nine days after the disaster. Although the staff of the Office for the Coordination of Humanitarian Affairs had been positioned in the regional command centre in Thailand since 31 December 2004, they experienced

severe communications problems with the field and were unable to match effectively requests for and offers of military assets.

717. In Indonesia, the only document on civilian-military coordination that could be retrieved by the Office of the Recovery Coordinator for the Board was an end-of-mission report prepared by one of the officers. This report noted many shortcomings in the training, logistical organization and reporting lines of the civilian-military coordination effort. In Thailand, the staff of the Office for the Coordination of Humanitarian Affairs did not take part in civilian-military coordination in the initial stages of the disaster.

718. In Sri Lanka, two coordination officers (civilian) were sent to Colombo as part of an in kind contribution by the Swiss Government. A week elapsed before they could obtain an appointment with the Humanitarian Coordinator, who had not requested their assignment. Their only recorded activities at the Colombo office were a note by the Humanitarian Coordinator addressed to the United Nations country team providing a list of military assets present in Sri Lanka, and the draft of a situation report on military assets present in the country. No record was kept of any actual request being processed by the officers.

719. **The Administration agreed with the Board's recommendation that the Office for the Coordination of Humanitarian Affairs ensure that civilian-military cooperation is enhanced during emergencies.**

Managing the transition from relief to rehabilitation

720. In the countries visited by the Board, the Office for the Coordination of Humanitarian Affairs had mixed success in trying to coordinate the transition from disaster relief to recovery. In Thailand, the country team had begun considering recovery needs as early as 10 January 2005, at a time when the UNDAC team was still in the country. This was possible because of the relatively smaller scale of the disaster in Thailand, compared to the worst affected countries. In Sri Lanka, the Office for the Coordination of Humanitarian Affairs contributed to the adoption by the country team of a transitional strategy in April 2005, following the midterm review of the flash appeal. By contrast, such a strategy had not been agreed on in Indonesia as at February 2006. However, the Office, UNDP and the United Nations Development Group Office tried to plan the transition from relief to recovery and organized a joint visit to Indonesia in June 2005. The result of the visit was to create the Office of the United Nations Recovery Coordinator for Aceh and Nias, in September 2005. The objective of that Office was to further the aims of United Nations reform while providing a unique counterpart to the Indonesian Government's Reconstruction and Rehabilitation Agency.

721. The United Nations Recovery Coordinator for Aceh and Nias wanted to recruit a senior recovery adviser, assisted by a team of thematic advisers. These advisers would deal with themes such as gender, environment, livelihood, transitional and permanent shelter, land issues and governance. Many of those issues were covered by the regular country programmes of other agencies, and there was particular sensitivity in regard to governance and livelihood.

722. UNDP expressed some reservations as to the desirability of the thematic adviser approach, on the grounds that it might duplicate the work of existing United Nations agency advisers, confuse governmental partners and prove not to be cost-

efficient. A debate took place and the decision by the United Nations country team was to proceed with recruitment. However, the Humanitarian Coordinator indicated that several agencies, not just UNDP, still had questions about why there should be substantive duplication in the Office of the Recovery Coordinator of functions already carried out by the agencies. These doubts indicate the uncertainties that surround the institutional mechanisms designed to coordinate the transition between relief and rehabilitation.

723. **The Board recommends that the Office for the Coordination of Humanitarian Affairs draw on the Indonesian experience to propose an institutional model for coordination in transitions from disaster relief to recovery.**

Effectiveness of field coordination

724. In Indonesia, the tsunami evaluation coalition (composed of the Office for the Coordination of Humanitarian Affairs, FAO, UNDP, UNFPA, UNICEF, WHO, WFP, non-governmental organizations and donors) found that, given the sheer number of participants (over 500 non-governmental organizations at one point, according to the annual report of the Office for the Coordination of Humanitarian Affairs for 2005), coordination had not been effective. As the Office admitted in its annual report for 2005, the competition among actors on the ground, in particular competition for clients or affected populations, and the lack of incentives to coordinate since funds were abundant, led to duplication and confusion.[41]

725. At the end of January 2005, the Government of Indonesia announced that it would provide temporary accommodation for the total estimated number of internally displaced persons not living with host families. As the international community had a number of concerns regarding the suitability of the solution offered by the Government, the Aceh shelter working group decided not to get involved in the temporary living centre project. Instead, it focused almost exclusively on permanent housing.

726. By late March 2005, it had become apparent to the Office for the Coordination of Humanitarian Affairs that the issue of transitional shelter needed to be brought back onto the agenda. However, this effort was interrupted by the Nias and Simeulue earthquakes on 28 March 2005, and the near simultaneous departure of UNHCR which had specific expertise in transitional shelter. This led the Office to focus on other, more pressing issues.

727. By 30 June 2005, the Head of the Office in Indonesia emphasized the need to put the issue of transitional shelter back on the agenda of aid agencies. He considered that, while the Banda Aceh shelter working group continued to focus on permanent shelter, the issue of alternative transitional shelter had also to be tackled, and that the Office must take on a stronger role in bringing together key partners. By 16 August 2005, a working document on the immediate and transitional shelter needs in Aceh and North Sumatra provinces indicated that, of the 518,459 persons displaced by the tsunami, an estimated 65,228 lived in a transitional living centre, while 153,477 were living in self-settled tents and 299,754 were living with host families.

[41] Office for the Coordination of Humanitarian Affairs, *Annual Report, 2005: Activities and Use of Extrabudgetary Funds*, p. 168. Available online at http://ochaonline.un.org.

728. The Recovery Coordinator declared that the fact that between 60,000 and 100,000 people were still living in tents at that stage was unacceptable. He then launched a temporary shelter action plan on 29 September 2005, which relied heavily on a partnership with the International Federation of Red Cross/Red Crescent Societies (IFRC). IFRC committed $80 million to procuring and transporting 20,000 shelter kits and packages, which were expected to be in the country by mid-November 2005, in time for them to be distributed before the first-year commemoration. However, the sourcing of timber, an essential component of the shelter kit, proved much more difficult than anticipated.

729. One of the positive outcomes of the temporary shelter action plan was the commitment obtained from UNICEF and a number of non-governmental organizations to work on the upgrading of substandard transitional living centres. As at 31 May 2006, 7,058 frames had been erected, of which 2,049 and 1,038 had been fitted with timber/plywood and gables, respectively. The planned provision stood at 15,317 as at 31 May 2006.

730. **The Board recommends that the Office for the Coordination of Humanitarian Affairs develop medium-term shelter solutions whenever it identifies a gap between temporary and permanent needs.**

731. The Office for the Coordination of Humanitarian Affairs approved a $2.4 million tsunami cost plan for its office in Bangkok, of which only $0.7 million (28 per cent) was spent in 2005. In addition, its regional office for Asia and the Pacific was not assigned relevant objectives for tsunami-related activities. The draft action plan for the biennium 2005-2006, dated 15 July 2005, did not contain any specific mention of the tsunami, except for the need to organize four workshops on lessons learned. The main tsunami-related outputs that were achieved were the organization of workshops in tsunami-affected countries and the loan of one public information officer to the Resident Coordinator's office in Thailand.

732. The Office has admitted that, in Sri Lanka, its performance at the district level was not fully effective owing to the deployment of junior staff without enough backup or equipment in many places, and that while some of those staff had performed well beyond expectations, the overall picture as recorded by the tsunami evaluation coalition was one of a lack of effectiveness of the Office at the district level.[42] This finding is confirmed by the Board's own observations on the Office's level of staffing, equipment and support.

733. The Board noted several instances of duplication and concerns in regard to the quality of the assistance provided to the livelihood sector and, in particular, the fisheries area. For example, in the Ampara district, an FAO consultant noted that 1,000 boats were already oversupplied, according to the information available. In another instance, the participants in the meeting on livelihood held in the same district noted that one non-governmental organization had supplied 1,000 canoes, of which 500 were not seaworthy. The minutes of another meeting recorded that some fishermen had received the hulls of the boats but no fishing gears.[43]

734. The situation in Batticaloa and Galle was not significantly different. For instance, in its mapping of humanitarian activity in Batticaloa, the Office for the

[42] Office for the Coordination of Humanitarian Affairs, *Annual Report, 2005* ..., p. 172.

[43] Minutes of the meetings held on 23 June 2005 (Ampara), 28 July 2005 (Ampara) and 22 September 2005 (Kalmunai).

Coordination of Humanitarian Affairs noted the concern that various organizations had donated many boats but that only a few coordinated their activities through the Fisheries Department and the task force, which might result in beneficiary duplication, a proliferation of unregistered boats and, eventually, overfishing.

735. **The Board recommends that the Office for the Coordination of Humanitarian Affairs take the lead role in ensuring effective inter-agency coordination in the provision of emergency assistance.**

736. In Sri Lanka, over 53,000 temporary shelters had been completed by the end of September 2005. However, between 20 and 40 per cent of them were reportedly substandard. Some assessments indicated that up to 75 per cent of transitional settlements had inadequate drainage. This issue would have proved particularly acute with the onset of the monsoon. More generally, the connection between shelter and water and sanitation had been initially uneven, although more systematic contacts between both lead agencies (UNHCR and UNICEF) had built up over time.

737. **The Board recommends that the Office for the Coordination of Humanitarian Affairs liaise more closely with lead agencies to ensure that the assistance provided during emergency situations is of an acceptable standard.**

United Nations country team anti-fraud strategy

738. Despite the level of funding received by United Nations agencies since the tsunami and the associated risks of wastage, mishandling of funds and corruption, the United Nations agencies present in Indonesia and Sri Lanka did not adopt a common strategy for dealing with fraud and corruption risks. Instead, each agency relied on its own internal control procedures. As a result, there was no sharing of information among agencies for the purpose of blacklisting persons involved in procurement and other irregularities.

339. **The Board recommends that the Office for the Coordination of Humanitarian Affairs ensure that a common anti-fraud and anti-corruption strategy is adopted by the various United Nations agencies involved in emergency relief efforts.**

18. Office of Legal Affairs

740. During the biennium 2004-2005, the Board's review of the Office of Legal Affairs covered the general legal services provided to United Nations organs and programmes, and the custody, registration and publication of treaties.

Resolution of cases

741. The Board reviewed cases falling under subprogramme 2 (General legal services provided to United Nations organs and programmes) and noted seven cases that took the Office of Legal Affairs between one and eight years until the claims were finally resolved or settled as at 30 June 2004. One case took the Office eight years and eight months to settle owing to the number and complexity of the claims, the time-consuming process of obtaining and evaluating information, changes in the management of the claimant and repeated consultations with the Department of Peacekeeping Operations. The case involved a wrongful breach of contract against UNDP for architectural and consultancy services. The Office commented that one important reason for the time taken to reach final resolution of the claim was the

significant delays on the part of the claimant itself. Another reason was that, just as the parties were ready to settle, the Department of Peacekeeping Operations for the first time notified the Office of possible counterclaims. It then took additional time to evaluate and deal with the possible counterclaims before an overall settlement could be reached with the claimant.

742. Another case, which remained pending for seven years and seven months as at 30 June 2004, was considered by the Office as an abandoned case because the claimant could not be contacted by it (the case was ultimately abandoned by the claimant). The claim involved the settlement of unpaid invoices by the United Nations Operation in Somalia (UNOSOM II) in connection with the construction of an 800-man camp in Somalia.

743. The Board is of the view that one observable factor that may have contributed to the lengthy resolution of cases was the absence of a guideline to which action officers could adhere. The Office of Legal Affairs, however, seemed not to be in favour of establishing a time frame for the resolution of cases, contending that cases referred to it were acted upon with dispatch. It explained that the time within which to settle a claim depended on the complexity of the case and the ability or willingness of the parties to reach a compromise.

744. For complex cases, time is required to arrive at a factual and conclusive analysis that will permit a judicious, amicable settlement or, failing such efforts, arbitration. The Office of Legal Affairs contended that the length of time taken to resolve a claim did not indicate whether or not a matter was being handled cost-effectively. It argued that the ultimate settlement of certain cases in favour of the United Nations clearly indicated that the interests of the United Nations were well-served.

745. While the Board does not dispute the Office's stand that complex claims require an extra amount of time for thorough legal analysis, it does not, however, share its view that acting swiftly on the cases handled is tantamount to their hasty resolution. It should be stressed that taking an unusually long period to resolve cases results in undue prejudice to the rights of claimant. In its Notes on Organizing Arbitral Proceedings, "Discretion in conduct of proceedings and usefulness of timely decisions on organizing proceedings" the United Nations Commission on International Trade Law (UNCITRAL) emphasizes the need for a just and cost-efficient resolution of disputes.

746. **The Board recommends that the Office of Legal Affairs consider developing guidelines for the settlement of cases submitted for arbitration, as well as claims for negotiation, in line with the United Nations Commission on International Trade Law Notes on Organizing Arbitral Proceedings.**

747. The Administration informed the Board that the UNCITRAL Notes were the applicable guidelines for the settlement of cases submitted for arbitration, and were to be read in conjunction with the UNCITRAL Arbitration Rules which govern the settlement of such cases. The UNCITRAL Notes and Arbitration Rules relate only to arbitral proceedings and not to the negotiation of claims outside the framework of arbitration. The Administration was not of the view that the development of guidelines in respect of the negotiation of claims would be useful or feasible, since the settlement of cases is contingent upon a multiplicity of factors that render the imposition of general guidelines, including time limits, impractical. It reiterated to

the Board its view that success in settling a case should be determined by the ultimate outcome of the settlement and not by the amount of time taken to settle the case.

Depositary notifications

748. For the biennium 2004-2005, the Treaty Section, as the implementer of subprogramme 6 (Custody, registration and publication of treaties), had as one of its indicators of achievement the timely processing of actions relating to treaties deposited with the Secretary-General. To measure its performance, the Treaty Section has targeted a one-day processing period for each action and the issuance of depositary notifications.

749. The Board's review of the three sample groupings of depositary notifications for the period from 1 January to 30 June 2004 revealed that the Treaty Section had been unable to fully meet its target. For depositary notifications ranging from 3 to 100, covering the period from 8 January to 11 February 2004, the status of implementation against target was 69 per cent on time and 31 per cent delayed; for the 201-300 range covering the period from 2 to 29 March 2004, the status was 59 per cent on time and 41 per cent delayed; for the 402-493 range covering the period from 26 April to 19 May 2004, the status was 90 per cent on time and 10 per cent delayed; and for the 601-700 range covering the period from 10 to 29 June 2004, the status was 85 per cent on time and 15 per cent delayed. The percentages did not include the treaties and treaty actions emanating from the Secretariat (ex officio).

750. The Board noted eight instances of delays, ranging from 11 to 24 days, in the issuance of depositary notifications after the date that the actions relating to the treaties were effected.

751. The Office of Legal Affairs commented that it consistently strove to process and release delivery notifications on the day of receipt. There were instances, however, when the depositary notifications were not issued on the day of receipt owing, inter alia, to the following reasons: translation from English to French was required and this took days or, sometimes, weeks to be completed by the translations services; according to the treaty practice of the Secretary-General, the date recorded for the action was the date on which the instrument was received by the Secretariat, regardless of the point of receipt; in line with that practice, some Member States submitted their instruments directly to the Office of the Secretary-General and it took approximately four days before they reached the Treaty Section; in the case of certain treaties, for example, international trade and commodities, the Treaty Section had to verify whether the States submitting their instruments were already members of the body or commission regulating those particular commodities, in which case consultation with the treaty secretariat became necessary; a number of instruments contained certain issues which needed to be clarified before they could be processed by the Secretariat; and, in certain instances, a legal question might require in-depth analysis.

752. The Board stresses that the expeditious processing, registration and publication of treaties and treaty-related actions were emphasized by the General Assembly in resolution 51/158 of 16 December 1996.

753. **The Board recommends that the Office of Legal Affairs exert more effort to achieve its target of one-day processing of actions relating to treaties deposited with the Secretary-General.**

754. The Office of Legal Affairs will continue to make the utmost effort to process depositary notifications within 24 hours of receipt by the Treaty Section, and every effort will be made further to improve the processing time. There are, however, dependencies that must be taken into account. In some instances, the Treaty Section has limited control, especially in regard to translation. Continuing difficulties are being experienced in obtaining translations from the Department for General Assembly and Conference Management in a timely fashion. The Treaty Section has implemented the correspondence log database system to better track the workflow of the actions received in deposit to ensure that the 24-hour processing deadline is respected in every possible case. Measures are being put in place to ensure the publication of depositary notifications on the Treaty Section's website on day of their release for distribution.

Publication of the United Nations Treaty Series

755. For the biennium 2004-2005, the Treaty Section is committed to publishing the United Nations *Treaty Series* on paper within one year from the date of registration. As at 30 June 2004, the Treaty Section had 81 volumes of the *Treaty Series* awaiting publication. One of the main reasons was the lack of translations in English and/or French to be supplied by the translation services of the Department for General Assembly and Conference Management. A volume of the United Nations *Treaty Series* cannot be printed until all the required translations, comprising the whole volume, are delivered.

756. The Office of Legal Affairs had estimated that the period between the receipt of treaties for registration and their subsequent publication in the United Nations *Treaty Series* would be 19 months. The Office, however, was working towards reducing this to six months in view of the frequent requests for copies received from Member States. The Board was pleased to note that the Treaty Section was able to reduce significantly the backlog in publication, which had been as high as 11 years in 1996 and 2 years in 2002, to a gap of 18 months in 2004.

757. **The Board recommends that the Office of Legal Affairs continue its efforts to reduce the time gap between the registration and the publication of treaties.**

758. The Office of Legal Affairs commented that it would continue to identify further efficiencies in reducing the time gap between the registration and publication of treaties, including through tighter deadlines. The current desktop publishing infrastructure would be upgraded to incorporate the most recent releases of the software, and its most critical components would be migrated to the mainstream platforms. The Documentum server and client migration project, to be implemented in the second half of 2005, would facilitate the further integration of the registration and publication processes. Staff in the registration and publication areas were being provided with additional training in database management and web publishing techniques to further enhance their interaction.

19. Special political missions

759. The Board audited three missions under the Department of Political Affairs and funded from the regular budget for the biennium 2004-2005, for which the Department has responsibility: these were the United Nations Peacebuilding Support Office in the Central African Republic (BONUCA), the United Nations Peacebuilding Support Office in Guinea-Bissau (UNOGBIS), and the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO). For the biennium 2004-2005, the three field missions were allotted funds from the regular budget in the total amount of $26.16 million. Expenditure totalled $26.15 million, leaving an uncommitted allotment balance of $14,000 as at 31 December 2005.

Management of petty cash

760. The Board reviewed the operations of the petty cash funds handled by three petty cash custodians stationed in Jerusalem, Gaza and Ramallah and noted that 13 petty cash vouchers did not bear the signature of the approving officer; there was no hand-over of petty cash funds whenever petty cash custodians went on leave of absence, which would interrupt the continuous provision of support to petty operating requirements of UNSCO and expose the fund to risk of misuse during such absences; for the period from 1 July 2004 to 19 August 2005, the Finance Officer conducted only one surprise cash count in Jerusalem, contrary to the requirement of the Finance Manual for monthly counts and reconciliation with accounting records (UNSCO cited the critical peace and order situation as the reason for the less frequent conduct of cash counts); and there were four cases of requisitions involving four different suppliers, the payments of which were split into 12 vouchers, which circumvented the maximum limit of $200 payment out of the petty cash fund and the rigorous procurement requirements.

761. **The Administration agreed with the Board's recommendation that it implement the basic controls on petty cash fund management.**

762. The Administration informed the Board that compliance with conducting surprise cash counts depended on the security situation in Gaza.

763. The Board shares the concern of the Department of Peacekeeping Operations that basic controls on petty cash fund management, such as routine surprise cash counts, the maintenance of a petty cashbook, and compliance with disbursement limits and handing over procedures had not been fully implemented. The Department would reiterate to UNSCO the importance of enforcing the established procedures in respect of petty cash fund management.

Procurement activities

764. The Board noted that, at UNSCO, there were lapses in the implementation of procedures for procurement and contract management.

765. The Office of the Special Coordinator issued purchase orders for the delivery of fuel in the total amount of $99,894 in 2004 and $123,840 in 2005 in the name of an entity (hereinafter referred to as Company A) other than the entity (hereinafter referred to as Company B) which entered into contract with UNSCO. UNSCO commented that the contracts referred to were issued to Company B, on the basis of competitive bidding, for the provision of gasoline and diesel fuel at the company's

various filling stations in Israel. Company A and Company B are one and the same since the invoices for bulk purchases of fuel and for refilling of vehicles have the same heading (first name of Company B and first three-letter name of Company A) and at the bottom of the invoice(s) appears the name of Company B. The Department of Peacekeeping Operations, in its reply to a management letter, informed the Board that the fuel contract had expired in December 2005 and that the Procurement Section of UNTSO had conducted a bidding exercise on behalf of UNSCO and a new contract had been awarded. The Department assured the Board that, notwithstanding the new contract, such relationship would be clarified in future contracts, as appropriate.

766. **The Administration agreed with the Board's recommendation that it improve procurement and contract management at the Office of the Special Coordinator for the Middle East Peace Process to ensure that purchase orders are only issued to a contracting party.**

767. Also at UNSCO, deliveries were made by vendors even prior to the approval of the five covering purchase orders. While the subsequent approval of the purchase orders has corrected ex post facto the payments for deliveries made, this is not a good practice as it implies, since deliveries have been made, that purchase orders are a mere formality. UNSCO will automatically assume its obligations notwithstanding the fact that vendor selection is a requirement in the procurement process.

768. The Board shares the concern of the Department of Peacekeeping Operations about the reservation of credits in the accounts to meet expenditure based on valid documents that have not been fully implemented. The Department will reiterate to UNSCO the importance of strict compliance with the rule relating to the reservation of credits in the accounts.

769. **The Administration agreed with the Board's recommendation that it ensure that services are rendered or deliveries are made in fulfilment of a valid contract.**

770. The procurement plan for 2005 did not indicate the item number or numerical identifier (43 items), estimated quantity (number of units) or term (number of months) (40 items) and delivery due date or expected period when the products are required to be delivered or the services required to commence (34 items), contrary to section 8.1.4 of the Procurement Manual. The lack of sufficient information critical to the timely acquisition of equipment and supplies had diminished the usefulness of the annual procurement plan. UNSCO would implement a more effective and efficient procurement planning process to ensure that the form and content of its plan are in compliance with the established procedures.

771. **The Administration agreed with the Board's recommendation that it indicate all the required information in the procurement plan.**

772. The Administration informed the Board that UNSCO would include the required information in its future procurement plans.

773. Eight vendors were without performance appraisal. Performance evaluation of vendors is necessary for procurement actions. The Department of Peacekeeping Operations commented that, as earlier communicated to the Board, the web portal through which missions would provide their performance report was fully

operational. UNSCO would streamline its procedures for performance evaluation to ensure reporting on its vendors in a timely manner.

774. Thirteen purchase orders were awarded to vendors who were not included on the list of vendors reviewed and approved. This placed UNSCO at risk of dealing with incompetent and/or unqualified vendors. The Department of Peacekeeping Operations has developed an electronic contractor performance evaluation and has directed missions to complete it on a quarterly basis. This evaluation is an interim snapshot of the progress of a contractor in fulfilling the terms of a contract and is formalized in semi-annual reports to the Department of Peacekeeping Operations and the Procurement Service at United Nations Headquarters.

775. **The Administration agreed with the Board's recommendation that it ensure that adequate and timely conduct of vendor performance evaluation, a requirement for the proper maintenance of the vendor database is made; and that vendors are evaluated and approved prior to their entering into a contract with the United Nations.**

776. The Administration informed the Board that at UNSCO, starting from 1 January 2006, all vendors had been reviewed and approved prior to entering into contracts.

777. The commencement advice for the construction and reinforcement of the security perimeter fence of UNSCO at the Gaza compound contained modifications of the original contractual terms, inter alia an increase in the contract price and changes to the terms of payment and the date of completion, contrary to sections 15.1 (l) and 12.1.2 (l) (b) of the Procurement Manual which call for a formal amendment of a contract and that modification of a contract price involving an increase of more than 20 per cent should be reviewed by the local committee on contracts. The Department of Peacekeeping Operations would instruct UNSCO to implement strictly the instruction issued by the Department to all missions relating to delegation of procurement authority.

778. **The Administration agreed with the Board's recommendation that it ensure that a formal contract amendment is prepared for review by the local committee on contracts.**

Vehicle fleet management

Liberty charges

779. Part III, chapter 12, paragraph 3.1 of the field administration manual provides that vehicles are provided to a mission to ensure adequate transport for the performance of official duties. In view of the nature of such missions, often located in areas with insufficient public transport, mission vehicles may also be used for off-duty transportation on a non-interference basis. Also, paragraph 12.4 of the field administration manual provides that the Chief, Transport Office of any mission shall be responsible for notifying the finance section at mission headquarters of all liberty and recreation mileage run in the mission and the names of the drivers responsible. Such notification shall normally be made monthly and the finance section shall obtain reimbursement by appropriate deduction from the payments due to the person/s concerned.

780. The Board noted that there were delays in the preparation of liberty mileage summaries by the Transport Section for transmission to the Finance Section of UNTSO. UNSCO explained that it was on account of the time needed to consolidate the trip tickets from the separate duty stations of Gaza, Jerusalem and Ramallah and the Office for the Coordination of Humanitarian Affairs in Jerusalem, which involved a low amount of charges per month (for example, most of the liberty travel amounted to less than $100, hence a need to consolidate a reasonable amount for recovery).

781. With the installation of the electronic vehicle fleet management system (CARLOG) in July 2005, it is expected that the collection of data on UNSCO vehicle usage would improve and would thus result in more timely submission of liberty charges.

782. **The Administration agreed with the Board's recommendation that it prepare all liberty mileage usage of mission vehicles in a timely manner and notify the Finance Section, United Nations Truce Supervision Organization for it to effect the necessary reimbursement from the personnel concerned.**

783. The Administration informed the Board that UNSCO had completed the installation of CARLOG in all its vehicles as at 30 November 2005. The preparation of all liberty charges and their subsequent submission to the Finance Section of UNTSO is now carried out in a timely manner (by the second week of every following month).

Daily trip tickets

784. An UNSCO inter-office memorandum dated 10 January 1996 provides that drivers must maintain accurate daily records of all trips undertaken, containing the following information: actual distance travelled on completion of each trip (exact odometer reading at start and end of trip to be indicated); precise destination (the practice of reporting "local" is not to be used and incorrectly completed trip tickets may result in having the mileage involved charged as liberty mileage); amounts of fuel and lubricating oil received, together with the location of the service station and the exact odometer reading; that daily checks of vehicle and its associated equipment have been carried out; any maintenance or repairs that may be required; the driver's name and white card number; and whether the trip was for duty or liberty travel.

785. Trip tickets were prepared and submitted on a monthly basis. The Board noted that trip tickets supporting the vehicle operational log for the month of June 2005 showed that some had incomplete information as to the actual distance travelled; others did not indicate the precise destinations and the times of departure and arrival; some did not indicate the number of passengers and whether the trip made was duty travel or liberty mileage. Likewise, trip tickets for some vehicles were not submitted on time to the Transport Section prior to the preparation of the monthly vehicle operational log. The Board's review of the monthly operational log showed that a total of 26 trip tickets were not submitted for the period from July 2004 to June 2005.

786. The Board is concerned that inadequate information in the trip tickets and, correspondingly, in the monthly vehicle operational log lessens their usefulness for the Administration's effective assessment of vehicle utilization and maintenance.

787. The Office of the Special Coordinator assured the Board that it would ensure full compliance with the guidelines on the use of trip tickets. The ongoing installation of CARLOG in all UNSCO vehicles, which was expected to be completed by September 2005, would resolve the shortcomings.

788. **The Administration agreed with the Board's recommendation that it strictly monitor and implement the timely submission of trip tickets.**

789. The Administration informed the Board that as a result of the installation of CARLOG at UNSCO, all vehicle data were now promptly collected and the timely analysis of those data facilitated better fleet management and reporting.

Asset management and control system

790. In its previous report, the Board, while recognizing the several control measures instituted by the Administration on its non-expendable property, recommended that the Administration continue to introduce improvements in the asset management system.[44] Despite those measures, the Board still noted deficiencies in the management of non-expendable property in the three special political missions, as follows:

(a) The Local Property Survey Board established by BONUCA has yet to resolve 445 requests for write-off cover of lost, obsolete and unserviceable property, although with respect to 162 requests write-off had been effected without the survey board's approval. The Department of Peacekeeping Operations commented that BONUCA would monitor and ensure that property survey board cases are promptly processed, to facilitate the disposal of unserviceable and obsolete equipment;

(b) Lack of proper training in the use of the field assets control system (FACS), as admitted by BONUCA, resulted in erroneous entries and gave rise to an adjustment of 248 items of non-expendable property valued at $283,580 in the inventory report as at 30 June 2005. The Department of Peacekeeping Operations commented that BONUCA has initiated action to adjust the information in FACS to correspond with the physical inventory of non-expendable property;

(c) At BONUCA, recipients of items of non-expendable property did not sign the 14 issue vouchers. Furthermore, the requirement for an annual renewal of issue vouchers and the proper description of the assets as "issued on loan" have not been complied with. The Department of Peacekeeping Operations commented that BONUCA had issued a reminder to the self-accounting units to ensure that the established procedures relating to the issue and hand-over of non-expendable equipment were strictly complied with;

(d) At UNOGBIS, the staff members accountable for two computers allegedly stolen in 1999 were given property accountability clearance when they left the mission. Although an investigation was conducted, it was unclear whether there had been negligence on the part of the accountable officers and who the perpetrators were. It took more than three years for the request for write-off to be forwarded to the Headquarters Property Survey Board. UNOGBIS commented that it had now instituted strict check-out procedures for the recovery of assets, including attractive

[44] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 284.

items, from personnel prior to their departure from the mission. It would follow-up on the write-off request to clear the two computers from the inventory records;

(e) The inventory report of UNOGBIS did not indicate: the cost of 305 units of office furniture received from other missions or procured locally; the value of property items such as power supply units and computers on loan to the United Nations Dispensary and the Ministry of Defence in Bissau (which should have had a separate listing); the location of the equipment, rendering it difficult to locate the property during a physical count; and the bar codes or decal numbers of 24 items. The Department of Peacekeeping Operations informed the Board that UNOGBIS had assigned a staff member to reinforce control over non-expendable property and to ensure that all the discrepancies were corrected.

791. **The Administration agreed with the Board's reiterated recommendation that it continue to introduce improvements in the asset management system.**

20. Research and/or training institutes and agencies

792. For the biennium 2004-2005 audit, the Board visited the United Nations Interregional Crime and Justice Research Institute (UNICRI) and the International Research and Training Institute for the Advancement of Women (INSTRAW). UNICRI is mandated to assist intergovernmental, governmental and non-governmental organizations in the field of crime prevention and control. INSTRAW is the only United Nations institute devoted at the international level to promoting and undertaking research and training programmes to contribute to the advancement of women and gender equality worldwide.

United Nations Interregional Crime and Justice Research Institute

793. UNICRI, established in 1968, focuses on three major areas in the field of crime prevention and control: justice reform, trafficking in human beings and security. Headquartered in Turin, UNICRI carried out 20 programmes and projects in Europe, Africa and South America during the biennium 2004-2005.

794. In 2004-2005, the Institute recorded income of $9.5 million, compared to $8.8 million of expenditure. Adding the $0.6 million surplus from the biennium to the fund balance accumulated over previous bienniums led to a cumulative surplus at the end of 2005 of $11.9 million. Revaluation losses amounted to $822,483. Assets of the Institute totalled $13.6 million (against liabilities of $1.6 million), including $12.7 million cash and near cash; $10.1 million were invested in the euro investment pool managed by the United Nations Secretariat.

795. The Institute requested a consultant to perform an analysis of its reserves in order to determine the origin and availability of its funds. The results are disclosed in table II.23.

Table II.23
Fund balance

(In United States dollars)

	1998-1999	2000-2001	2002-2003	2004-2005	Cumulative adjustments
Fund balance, beginning of period	4 642 985	3 317 612	5 549 745	11 077 677	
Fund balance relating to projects	246 407	2 061 724	1 590 988	359 423	4 258 541
Operating surplus (deficit)	(1 143 802)	733 174	894 665	1 378 381	1 862 418
Revaluation gain (loss)	(366 378)	(567 306)	3 042 279	(822 483)	1 286 112
Other	(61 600)	4 541	0	0	(57 059)
Fund balance, end of period	3 317 612	5 549 745	11 077 677	11 992 997	

796. A total of $4.3 million (36 per cent of the total funds) relate to project balances, including $2.3 million, paid to UNICRI in 2001 or earlier, earmarked for purposes specified by donors and likely to be refunded to donors if not exhausted upon completion of the project. Gains from operating surplus and foreign currency revaluation amounted to $3.1 million (26 per cent of the total funds). An amount of $4.6 million accumulated before 1998 (39 per cent of the total funds) had not been classified by the consultant or UNICRI within these categories (project balances, operating surplus or foreign currency revaluation).

797. The Institute has yet to decide on the allocation of these funds, including possible refund to donors of old balances pertaining to closed projects, and confirmed its intention to do so upon completion of the analysis of its fund balance. The Board noted that internal monitoring tools had been introduced in late 2005 to ensure optimal use of cash balances against allotments and funding needs.

798. **The Board recommends that UNICRI complete the analysis of the fund balance and decide on the allocation of available resources.**

799. In spite of the level of cash available, UNICRI has not considered creating an operating reserve, pending issuance of revised instructions on the management of trust funds. UNICRI informed the Board that it intended to create a reserve, upon the issuance of United Nations rules pertaining to the establishment of an operating reserve.

800. **The Board recommends that the United Nations issue revised instructions on the management of trust funds, to facilitate the creation of operating reserves.**

International Research and Training Institute for the Advancement of Women

Operations and financial situation

801. The Board noted the efforts exerted by INSTRAW to revitalize its operations, notably in strategic areas such as applied research, information gathering and dissemination, and capacity-building on gender issues. While it is noteworthy that INSTRAW has undertaken a number of strategic initiatives which puts it in a better position to make valuable inputs to women's causes, the Board shares the concern of

INSTRAW that, in order to sustain its mandates, there is a need for a firm commitment of sufficient resources from Member States and donors.

802. The Board noted an increase of voluntary contributions of $1.19 million, from $0.52 million in 2002-2003 to $1.71 million in 2004-2005 (sub-fund for INSTRAW, including its sub-account for special purpose grants). Despite the increase, INSTRAW continued to rely on United Nations regular budget funding for most of its core requirements.

803. **The Administration agreed with the Board's recommendation that the International Research and Training Institute for the Advancement of Women intensify fund-raising activities in the context of improving and sustaining its financial position.**

21. Other agencies

804. For the biennium 2004-2005, UNCTAD had an approved budget of $113.54 million under regular resources (including $1.95 million under the regular programme on technical cooperation), and $55 million under extrabudgetary resources. Total expenditure under the regular budget amounted to $112.93 million. ICJ had $33.8 million in approved appropriations and expended about $33.7 million (99.7 per cent). The approved budget for ICSC amounted to $5.35 million, with reported expenditure of $4.96 million (92.7 per cent).

United Nations Conference on Trade and Development

805. The United Nations Conference on Trade and Development (UNCTAD), established in 1964, aims at the development-friendly integration of developing countries into the world economy. UNCTAD is the United Nations focal point for the integrated treatment of trade and development, including data collection, research and policy analysis. It provides technical assistance tailored to the needs of developing countries, especially the least developed countries and countries with economies in transition.

806. In its previous report,[45] the Board recommended that the secretariat of UNCTAD comply with the Staff Rules and Regulations of the United Nations on the scope of the tasks entrusted to 200-series staff members. UNCTAD, while agreeing in principle with the Board's recommendation, underlined that its actual resources did not allow for implementation of the recommendation. UNCTAD has made so far unsuccessful requests for additional budget posts or reclassification of 200-series into 100-series posts. Consequently, some core functions, such as property management, procurement, logistics, inventory, logistics for conferences and general services were still being carried out by 200-series staff paid for by overheads.

807. **The Board reiterates its recommendation that UNCTAD comply with the United Nations Staff Regulations and Rules on the scope of tasks entrusted to 200-series staff members.**

808. The Administration informed the Board that it was complying with this recommendation. However, it is of the view that this matter is not a result of overall resource constraints.

[45] Ibid., para. 324.

809. During the biennium 2004-2005, donors contributed up to $55.5 million to UNCTAD technical cooperation activities. All funds were earmarked. The Trade and Development Board adopted a technical cooperation strategy in 2003,[46] which put emphasis on: capacity development in the fields of globalization and development; international trade in goods and services, and commodities; investment, technology and enterprise development; and services infrastructure for development and trade efficiency. However, a related fund-raising strategy to support objectives established by the Trade and Development Board was not in place. Despite the mandate of the Technical Cooperation Service, fund-raising activities were de facto based on individual initiatives of project managers and relationships with donors and funding agencies.

810. In its previous report,[47] the Board recommended that UNCTAD consider documenting a multi-year funding strategy, in cooperation with donors. At its forty-fifth session in October 2005, the Trade and Development Board, in its decision 483(LII), requested the secretariat to provide further information on options for improving the system of funding technical assistance and making it more predictable, including further exploring options of moving to a thematic, multi-year and multi-donor system. The issue remained outstanding as of May 2006.

811. **The Board reiterates its previous recommendation that UNCTAD adopt a comprehensive fund-raising strategy addressing the need for medium- to long-term resources and ensure its consistent and coordinated implementation.**

812. The Administration informed the Board that it would convey to the Trade and Development Board the need to adopt a comprehensive fund-raising strategy aiming at medium- and long-term funding of technical cooperation activities. Progress is being made by some donors in ensuring more predictability in their voluntary contributions to UNCTAD operations. The secretariat is introducing more thematic clusters in the structure of its technical cooperation activities with a view to simplifying its fund-raising.

813. The strategy for technical cooperation activities adopted by the Trade and Development Board seeks to strengthen cooperation and increase joint activities with other agencies providers of trade and investment technical assistance, and in particular with the United Nations regional commissions, the United Nations Development Programme, the World Trade Organization, the International Trade Centre, the World Bank and other intergovernmental institutions, including regional and subregional institutions.[48] However, the Board noted that initiatives taken by UNCTAD lacked a systematic and institutionalized approach. UNCTAD did not maintain an exhaustive and updated log of memorandums of understanding and other agreements entered into to support inter-agency cooperation and joint activities, which did not allow for proper monitoring and quality assurance mechanisms and the sharing of experience and best practices.

814. **The Board recommends that UNCTAD further develop inter-agency coordination and joint activities, in line with the strategy adopted by its governing body.**

[46] See TD/B/50/14(Vol.I) of 27 October 2003.

[47] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II, para. 318.

[48] Trade and Development decision 478(L) of 19 October 2003, annex, para. 16 (b).

815. The Administration informed the Board that inter-agency cooperation and joint activities with other providers of trade-related assistance were increasing, particularly in the context of the enhanced Integrated Framework, the new phases of JITAP and, in general, country-intensive trade-related operations. UNCTAD inter-agency cooperation will continue to be developed according to the São Paulo Consensus adopted by UNCTAD XI and relevant decisions of the Trade and Development Board.

816. The Non-Governmental Liaison Service was established by the United Nations in 1975 to promote cooperation between the United Nations system and non-governmental organizations in industrialized countries in the areas of information, education and advocacy work. In 1988, based on a formal agreement approved by the United Nations Controller and initially on a trial basis for two years, the administrative management of the Service was granted to UNCTAD. Since then, UNCTAD has managed the Service's technical cooperation trust fund and provided, free of charge, office space and administrative support to the Service. UNCTAD did not track costs incurred in support of the Service's activities. The value of its contributions was estimated at $150,000 by the Service, but that amount was not supported by any detailed analysis. Contrary to the rules and procedures of UNCTAD for the administration of technical cooperation trust funds, UNCTAD has not charged support costs to the Service's trust funds. With total expenditures of $17.4 million incurred by the Service since 1988, the application of the standard[49] 13 per cent support cost rate would have generated a total income of $2.3 million.

817. The arrangements provisionally established in 1988 for the administration of the Service have not been reassessed. Recent discussions on the future status of the Service were held in follow-up to the report of the Secretary-General's Panel of Eminent Persons on United Nations-Civil Society Relations (A/58/817 and Corr.1; see also A/59/354), but no agreement was reached in this regard. Since the provision of administrative support to an inter-agency service, in the management of which it has no pre-eminent role, is not part of the core activities and mandate of UNCTAD, the Board is of the view that it may be opportune for the United Nations to consider other possibilities for the administration of the Service.

818. **The Administration agreed with the Board's recommendation that it review the current administrative arrangements for the Non-Governmental Liaison Service and reassess their relevance in the light of the mandate and resources of UNCTAD.**

International Court of Justice

819. The International Court of Justice (ICJ) is the principal judicial organ of the United Nations. It consists of 15 judges elected for a term of nine years by the General Assembly and the Security Council, and of a Registry, which is the permanent administrative organ of the Court and which provides legal, diplomatic, administrative, financial and technical support.

820. The overall budget increased by 19.6 per cent from $28.28 million in 2002-2003 to $33.83 million in 2004-2005. The number of approved posts increased by 7.7 per cent from 91 to 98. However, the dollar budget for posts on the staffing table increased by 30.6 per cent from $13.73 million to $17.93 million.

[49] See ST/SGB/188 of 1 March 2002.

821. At the time of the Board's audit, the last comprehensive count of computer equipment had been in November 2003, whereas United Nations regulations require that such physical counts be done in each biennium. The Registry decided to postpone the inventory count until the implementation of a bar code inventory control system, rather than performing a count in late 2005 and again in early 2006 when the bar code labels arrived.

822. **The Board recommends that the International Court of Justice conduct a physical inventory count every two years.**

823. Since 1946, the International Court of Justice has been the custodian of the archives of the Nuremberg International Military Tribunal. In 2003, upon request from the Court, the National Archives of Netherlands reviewed these archives and concluded on the necessity to apply several conservation and restoration treatments. The transfer of the official records of the Nuremberg Tribunal's sessions from the original metal discs to digital media was also recommended. Costs were estimated at about €170,000 ($211,000 at the May 2006 United Nations operational rate of exchange) and €200,000 (approximately $250,000 at the May 2006 United Nations operational rate of exchange) for the restoration of the archives and for the digitization of the official records respectively. Following approval from the Office of Legal Affairs and from the United Nations Controller, a $205,800 allotment was issued in late December 2005.

824. In 2005, the Court requested the National Archives of Netherlands to undertake the restoration work and confirmed its decision in a letter dated 25 January 2006. However, this decision was not based on any competitive selection process, contrary to the United Nations regulations and rules on procurement, and notably financial rule 105.14. Also in contradiction with United Nations regulations and rules (financial rule 105.18), no contract was formally awarded to and signed with the National Archives of Netherlands for the restoration work. In the absence of proper supporting documentation, the obligation created in the Court's books for a total amount of $174,930 (27 per cent of the total unliquidated obligations reported by the Court at the end of the biennium) was not valid as at 31 December 2005. Moreover, the value of such an historical heritage calls for particular care and for a clear distribution of responsibilities between the custodian and the service provider in respect of transfer, storage and handling of the archives, which cannot be granted without an adequate agreement.

825. The Court explained that "the particular, extremely sensitive and political context surrounding the Nuremberg Archive precluded any competitive selection processes, and in particular the involvement of private firms. Moreover, from a technical point of view only the National Archives of the Netherlands appeared to the Court to offer all the necessary guarantees for such a major project." The Board considers that the waiver of United Nations procurement rules should have been properly documented when the agreement was concluded.

826. **The Board recommends that the Court comply with United Nations regulations and rules on obligations and procurement, and enter into a formal contract with the National Archives of Netherlands for the restoration and digitization of the archives of the Nuremberg International Military Tribunal.**

827. Costs for external translations have significantly decreased since 2000, amounting to a total of $190,477 in 2004-2005 (a 70 per cent decrease compared to

the biennium 2000-2001). However, a significant part of the texts to be translated are still not computerized. They have to be shipped by mail or express delivery, which entails significant mailing expenditure, not included in the overall translation costs, and ensuing delays. In its first report on the proposed programme budget for the biennium 2002-2003 (A/56/7), the Advisory Committee on Administrative and Budgetary Questions recommended that the Court modernize its proceedings and workflow processes, including by exploring the use of new technologies in such areas as remote translation and the use of digital recording of court proceedings to be translated. As at April 2006, that recommendation had yet to be implemented. The Court explained that this was due to "inherent limitations on the use of modern technology in the linguistic field".

828. **The Board recommends that the Court implement the recommendation of the Advisory Committee on Administrative and Budgetary Questions and consider modernizing its proceedings and workflow processes.**

829. The Court has not developed and consistently applied a comprehensive document classification methodology for the protection of and access to documents. It entails risks with regard to the confidentiality of information, such as the premature and inappropriate posting of documents on the website, which happened in 2004. While the Court's website is under development, the setting of a clear and secure process for the release of documents is a matter of urgency.

830. **The Board recommends that the International Court of Justice establish rules and criteria for the protection of and access to documents.**

831. ICJ reported that it was in the process of replacing the current Document Management application by a complete Electronic Document and Record Management Solution (EDRMS) which would include a review of the processes and criteria for the protection of and access to documents.

International Civil Service Commission

832. The Board reviewed the operations of the International Civil Service Commission (ICSC) in line with its implementation of activities under the programme budget. For the 2004-2005 programme budget, ICSC incurred a total expenditure of $4.96 million out of the total allotment of $5.35 million, leaving an unencumbered balance of $0.39 million.

Filling of vacancies

833. The Board noted instances of delays in the filling of vacant posts beyond the required-recruitment time limit of 120 days specified in chapter II, section C, paragraph 34, of the report of the Secretary-General on human resources management reform (A/55/253 and Corr.1). A post (Compensation Officer) at the P-3 level was not advertised in the Galaxy system until nine months and 17 days after it became vacant in January 2004.

834. In another instance, two posts (Personnel Policies Officer and Statistician) remained vacant as at 17 October 2005 for a period of 74 and 131 days, respectively. In addition, four vacant posts were filled during the biennium after delays of between 127 and 184 days, far exceeding the maximum limit of 120 days. ICSC commented that every effort was made to fill the vacancies, except the P-3 post pending the filling of vacancies at the P-4 level, and that alternative arrangements

would be considered for the use of this P-3 post if suitable candidates with the required expertise could not be identified for the vacant D-1 and P-4 positions.

835. The Board encourages ICSC to continue its efforts to fill the vacant posts in a timely fashion, in accordance with chapter II, section C of the report of the Secretary-General on human resources management reform (A/55/253 and Corr.1).

836. ICSC informed the Board that recruitment was a subject which involved a process that ICSC did not completely own. ICSC cited a current and pertinent example where it had recruited a P-4 officer from the UNESCO secretariat at the beginning of November 2005. However, as at 1 March 2006, the successfully recruited officer was still not on board owing to seemingly endless administrative and procedural delays on the part of both the United Nations administration and its counterpart in UNESCO.

837. The structure of the relevant electronic system, the travel requirements for secretariat staff and their inability to access the system while in the field have all quite significantly contributed to delays in the recruitment process. ICSC would nonetheless continue to make every effort to adhere to recruitment deadlines.

Cost of living surveys

838. In comparing the monthly post-adjustment circulars with the survey plan, the Board noted that the cost-of-living surveys in 2004 and 2005 covering 35 countries were conducted at rescheduled dates, with a delay of one to nine months after the originally scheduled dates for the place-to-place survey and one to six months for the housing survey. The surveys were purposely conducted to establish a post-adjustment index, which is periodically updated based on movements in local prices as well as changes in the local exchange rates relative to the United States dollar. Post adjustment is an amount paid to international professional staff in addition to their net base salary in order to arrive at a net remuneration that has a purchasing power equivalent to that of the base city of the United Nations, which is New York.

839. The Board is of the view that the rescheduling by ICSC of the conduct of the surveys may lead to a lower precision rate of the post-adjustment index for the duty stations concerned as a result of the extended use of local statistics. Consequently, the post-adjustment indices and classifications reported in the monthly circular may deviate from the actual cost-of-living measurement in some locations in the United Nations common system.

840. One of the expected accomplishments in the proposed programme budget for ICSC for 2004-2005 was to maintain up-to-date post-adjustment classifications/multipliers for the United Nations common system, with timely implementation of cost-of-living surveys as an indicator of achievement.

841. ICSC commented that the rescheduling of the surveys was due to factors beyond its control, inter alia a request by the coordinator of the duty station; time constraints of the staff, who were attending to equally important activities; the absence of staff from the duty station; lack of an acceptable rate of response to the survey questionnaires; difficulties in locating candidates for price agents; and the economic condition of the location.

842. **The Administration agreed with the Board's recommendation that the International Civil Service Commission continue to encourage coordinators**

and staff members to cooperate in the conduct of surveys as scheduled; improve the administrative survey tracking system; and undertake field missions in problematic duty stations to verify cost-of-living measurements and other living conditions

843. ICSC commented that it was continually working with agencies and their resident representatives in order to improve the timely participation of survey coordinators and staff in cost-of-living surveys. These efforts would continue, but it must be clear that ICSC could not itself be held responsible for both the conduct of the surveys and the participation of its partners (which had constraints beyond the control of ICSC) in these surveys.

844. As an integral part of the cost-of-living survey processing system, the administrative survey tracking system contains most of the parameters needed for effective administration of the planning and conduct of surveys. In its commitment to improving the survey tracking system, the ICSC secretariat is planning to conduct cost-of-living surveys in at least three missions, one each to Africa, Latin America and the Middle East. One or two additional missions are planned in connection with new surveys in European Union enlargement countries.

Daily subsistence allowance surveys

845. In line with article 11 (b) of its Statute and Rules of Procedure, ICSC carried out an annual review (through surveys) of daily subsistence allowance rates on the basis of information provided by the member organizations of the United Nations common system relative to room and meal prices in each country or area. This ensures that daily subsistence allowance rates are not more than one year old and are therefore sufficient to compensate for the daily subsistence expenses incurred by travelling United Nations staff members.

846. The Board's review of the daily subsistence allowance effective as at 1 October 2005 showed that out of 1,056 locations, the data on the daily subsistence allowance were last updated within a year in 576 locations; while the data in 366 locations were dormant for over a year to less than five years; the data in 41 locations were dormant for over five to seven years; and the data in 73 locations were dormant for over seven years. Out of the latter 73 locations, 21 had not been surveyed since 1997.

847. ICSC commented that surveys were not conducted in some countries/locations for various reasons external to and beyond its control, inter alia: logistical difficulties; non-submission of data; non-cooperation of respondent hotels/restaurants; natural disasters; peace and order problems in the locality; absence of United Nations staff in the identified location; and lack of interest of staff in the field in change of the daily subsistence allowance rates. However, ICSC made sure that actual surveys were conducted in strict accordance with the pre-assigned schedule and would continue its efforts to obtain the cooperation of the organizations and their field offices.

848. **The Administration agreed with the Board's recommendation that the International Civil Service Commission address the factors and constraints affecting the conduct of the surveys, in order to update the daily subsistence allowance rates, in accordance with article 11 (b) of its Statute and Rules of Procedure.**

849. In an effort to address the issues raised by the Board on the annual review of daily subsistence allowance rates, ICSC has taken several steps to ensure that the goals of this exercise are better met in accordance with article 11 (b) of its Statute and Rules of Procedure. Data pertaining to the Scandinavian countries had not been received for several years owing to personnel shortages faced by UNHCR, the agency responsible for those data. ICSC was informed by the UNHCR office in Brussels that it was handing over responsibility for all ICSC surveys for Belgium to UNDP. This was done following discussions and in agreement with the UNDP Resident Coordinator in Brussels.

850. ICSC awaits final confirmation of this new arrangement from UNDP in New York, which would serve as the focal point for daily subsistence allowance surveys. ICSC, having noted the issue, sent a circular letter dated 9 February 2006 to all Personnel Heads of those agencies, requesting them to assist (every year) ICSC in the completion of the daily subsistence allowance review and seeking their cooperation with respect to the current review of daily subsistence allowance rates. The ICSC secretariat intends to keep the matter under close review and do everything within its control to ensure timely revision of daily subsistence allowance rates.

22. Fraud and presumptive fraud

851. As required under the Financial Regulations and Rules of the United Nations, the Administration reported to the Board seven cases of fraud and presumptive fraud for the biennium ended 31 December 2005 [50].

852. The Administration informed the Board that it did not incur financial losses in the six cases reported under (a), (b), (c) and (d) below. The Administration has to recover fully the loss incurred in the case reported under (e):

(a) Three cases pertained to the unauthorized issuance of cheques drawn against the United Nations Development Forum bank account (two cases involving a total amount of $57,700) and the United Nations revenue-producing activities bank account (one case involving $8,000) by unknown unauthorized persons. No amount of United Nations funds was lost and the cases were reported to the drawee bank and the Office of Internal Oversight Services;

(b) A forged cheque in the amount of 689,500 Chilean pesos (the equivalent dollar amount was not disclosed by the Administration) was presented for payment on 15 April 2004 at the ECLAC bank account in Chile by unknown persons. There was no financial loss to the United Nations because the forgery was discovered by the bank cashier, who subsequently informed ECLAC of the matter. To minimize the possibility of its recurrence, ECLAC continued to minimize cheque issuance and utilize electronic fund transfers instead;

(c) In another case at ECLAC, a staff member forged two invoices in the total amount of $946 for her son's 2003 special education grant expenses claim. This was discovered by the finance assistant who reviewed the claim for settlement. The amount involved was set up as a receivable from the staff member, to be offset from the amount owed to the staff member (benevolent fund) of $1,667; hence, no

[50] Excludes those relating to peacekeeping operations and other United Nations entities, on which the Board reports separately.

United Nations funds were lost. The staff member was summarily dismissed for serious misconduct on 1 February 2005. To strengthen its controls, ECLAC no longer accepts unauthorized copies of invoices for claims and requires that proof of payment accompany education grant claims;

(d) A case of alteration of an invoice for a staff member's son's 2004 special education grant expenses was also discovered by ECLAC during the processing of the 2004 education grant claims. The amount in the invoice submitted by the staff member differed by $943 from that in the invoice issued by the education grant specialist. The amount involved was set up as a receivable from the staff member, to be offset from the amount owed to the staff member (benevolent fund) of $1,748. Thus, no United Nations funds were lost. On 11 July 2005, the staff member was summarily dismissed for serious misconduct. In strengthening its controls, ECLAC requests that proof of payment accompany education grant claims, and requires closer scrutiny and authorizations for the settlement of special education grant expenses claims, including authorization by the ECLAC clinic;

(e) One case involved a staff member at UNOV who forged five school certificates to claim dependency benefits (amounts not disclosed by the Administration). Full recovery is being made by UNOV. The staff member separated from service after the exhaustion of sick leave benefits.

D. Acknowledgement

853. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Secretary-General of the United Nations, the Directors-General of the United Nations Offices at Geneva, Nairobi and Vienna, the Executive Secretaries of the regional commissions, the United Nations High Commissioner for Human Rights, the Registrar of the International Court of Justice, the Secretary-General of the United Nations Conference on Trade and Development, the Chairman of the Joint Inspection Unit, the Chairman of the Board of Trustees or Director of the research and/or training institutes, the Chairman of the Board of Governors of the United Nations System Staff College, and their officers and members of their staff.

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)
(Lead Auditor)

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Philippe **Seguin**
First President of the Court of Accounts of France

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the audit report.

Annex I

Status of implementation of recommendations as at 31 December 2005

Topic	*Biennium first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference to inclusion in current report*
Report of the Board for the biennium 1998-1999[a]						
Integrated Management Information System (IMIS): reporting system	1998-1999		Para. 101		1	
Electronically transferred inter-office vouchers	1998-1999		Para. 108		1	
Report of the Board for the biennium 2000-2001[b]						
Integrated Monitoring and Documentation Information System: generated reports	2000-2001		Paras. 169 and 173		2	
Comprehensive review of IMIS user satisfaction and expectation	2000-2001		Para. 178		1	
Regional commissions: non-payment of rent (ECA); investment of more than $100,000 (ESCAP); pre-financing of technical cooperation projects (ECLAC)	2000-2001		Para. 275		3	
Department for General Assembly and Conference Management (specific standards and performance indicators and feedback mechanism; establishment of an integrated computerized system that would link the databases of all divisions, sections and units; expansion to a higher-capacity database system)	2000-2001		Paras. 279, 282 and 285		3	
Report of the Board for the biennium 2002-2003[c]						
Payables due to funding source	2002-2003	Para. 36			1	
Long-outstanding receivables	2002-2003		Para. 39		1	Paras. 74 to 77
Other accounts payable	2002-2003	Para. 43			1	
Expendable and non-expendable property	2002-2003		Para. 45		1	Paras. 114 to 117
Liabilities for annual leave, end-of-service benefits and post-retirement benefits	2002-2003		Para. 47		1	Paras. 132 to 134
Inactive trust funds	1998-1999		Paras. 52 and 54		2	Paras. 136 to 143
Progress and terminal reports and budgetary control of general trust funds	1998-1999		Para. 56		1	Paras. 184 to 186
Submission of financial utilization reports	1998-1999		Para. 62		1	Paras. 191 to 199
Final financial reports	2000-2001		Para. 67		1	Paras. 200 to 205
Final narrative reports	2002-2003		Para. 70		1	Paras. 206 to 212

Topic	*Biennium first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference to inclusion in current report*
Information and communications technology (ICT): coordination	2002-2003	Paras. 77 and 79			2	
ICT: strategies	2002-2003	Para. 86			1	
ICT: reporting and evaluation	2002-2003		Para. 89		1	
ICT: information and applications management	2002-2003		Paras. 95 and 97		2	
ICT: skills to exploit ICT	2002-2003		Para. 99		1	
ICT: standards and operational practices	2002-2003		Para. 102		1	Paras. 228 to 233
ICT: delivery and support	2002-2003	Paras. 116 and 120			2	
ICT: oversight	2002-2003	Para. 126			1	
IMIS: finance module	2002-2003	Paras. 131 and 135			2	
IMIS: personnel module	2002-2003	Paras. 139 and 142	Para. 144		3	Paras. 276 to 278
IMIS: consolidation of reports and preparation of financial statements	2002-2003		Para. 148		1	Paras. 279 to 282
IMIS: payroll migration at the United Nations Office at Geneva	2002-2003	Para. 151	Para. 154		2	
Budget recosting methodology	2002-2003	Para. 175			1	
Programme planning and results-based budgeting	2002-2003	Para. 188			1	
Summary reports	2002-2003		Para. 193		1	Paras. 348 and 349
System of allocating resources	2002-2003		Para. 196		1	Paras. 350 to 353
Monitoring of nationally executed projects	2002-2003	Paras. 198 and 200			2	
Cash flow forecasting	2002-2003		Para. 204		1	Paras. 417 to 419
Data-processing tools for cash management	2000-2001			Para. 208	1	Paras. 265 and 266
Need for guidelines, procedures and investment committees at offices away from Headquarters	2002-2003		Para. 211		1	Paras. 267 to 271
Implementation of disclosure procedure for investment losses	2002-2003		Para. 214		1	
Procurement planning	2002-2003	Para. 218	Para. 216		2	Paras. 515 to 522
Requisition management and amendments	2002-2003		Para. 222		1	Paras. 533 and 534
Roster of suppliers	2002-2003		Para. 224		1	Paras. 537 to 541
Procurement reforms, database of invitees and awardees	2002-2003	Para. 229			1	

Topic	*Biennium first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference to inclusion in current report*
Independence and code of ethics	2002-2003		Para. 236		1	
Supplier performance	2002-2003		Para. 238		1	
Inter-agency services	2002-2003		Para. 241		1	Paras. 572 to 574
Management of staff training	2002-2003		Para. 254		1	Paras. 650 and 651
Consultants and individual contractors	2000-2001		Para. 256		1	Paras. 652 and 653
Office of Internal Oversight Services	2000-2001		Para. 263		1	
Office of Internal Oversight Services: delays in reporting results	1998-1999		Para. 267		1	
Special political missions: asset management system	2000-2001		Para. 284		1	Paras. 790 and 791
United Nations Interregional Crime and Justice Research Institute	2002-2003		Paras. 287, 290 and 292		3	Paras. 642 and 643
United Nations Institute for Disarmament Research	2002-2003	Para. 298			1	
United Nations Research Institute for Social Development	2002-2003		Paras. 306 and 311		2	
United Nations System Staff College	2002-2003		Para. 315		1	
United Nations Conference on Trade and Development	2002-2003		Paras. 318, 321, 324 and 326		4	Paras. 804 to 818
International Court of Justice	2002-2003			Para. 330	1	
International Civil Service Commission	2002-2003	Para. 332	Para. 334		2	Paras. 832 to 837
Fraud awareness, prevention plan and policy	2002-2003		Para. 349		1	
Total						
Number		**21**	**56**	**2**	**79**	
Percentage		**26**	**71**	**3**	**100**	

[a] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. I, chap. II.
[b] See ibid., *Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. I and corrigendum (A/57/5/Corr.1), vol. I, chap. II.
[c] See ibid., *Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II.

Annex II

United Nations offices and organizations audited during the biennium 2004-2005[a]

Office	*Location*
United Nations Headquarters	New York
Office of Legal Affairs	New York
Office of the Special Representative of the Secretary-General for Children and Armed Conflict	New York
Department of Political Affairs	New York
Special Political Missions	
United Nations Peace-building Support Office in Guinea-Bissau (UNOGBIS)	Bissau
United Nations Peace-building Support Office in the Central African Republic (BONUCA)	Bangui
Office of the Special Coordinator for the Middle East Peace Process	Gaza
Department for Disarmament Affairs	New York
Department of Economic and Social Affairs	New York
Department for General Assembly and Conference Management	New York
Department of Public Information	New York
Department of Management	New York
United Nations Fund for International Partnerships	New York
International Civil Service Commission	New York
Capital Master Plan	New York
United Nations offices away from Headquarters	
United Nations Office at Nairobi	Nairobi
United Nations Office at Vienna	Vienna
United Nations Office at Geneva	Geneva
Regional commissions	
Economic Commission for Europe (ECE)	Geneva
Economic Commission for Africa (ECA)	Addis Ababa
Economic Commission for Latin America and the Caribbean (ECLAC) headquarters	Santiago
ECLAC subregional headquarters	Mexico City

Office	*Location*
ECLAC subregional headquarters	Port of Spain
Economic and Social Commission for Asia and the Pacific (ESCAP) headquarters	Bangkok
ESCAP Asian and Pacific Centre for Agricultural Engineering and Machinery	Beijing
ESCAP Asian and Pacific Centre for Transfer of Technology	New Delhi
ESCAP Centre for Alleviation of Poverty through Secondary Crops Development in Asia and the Pacific	Bogor, Indonesia
ESCAP Statistical Institute for Asia and the Pacific	Chiba, Japan
Economic and Social Commission for Western Asia (ESCWA)	Beirut
International Court of Justice (ICJ)	The Hague
Joint Inspection Unit (JIU)	Geneva
International Research and Training Institute for the Advancement of Women (INSTRAW)	Santo Domingo
United Nations Interregional Crime and Justice Research Institute (UNICRI)	Turin, Italy
United Nations Conference on Trade and Development (UNCTAD)	Geneva
Office for the Coordination of Humanitarian Affairs	New York and Geneva
United Nations System Staff College (UNSSC)	Turin

[a] The accounts of the offices and organizations appear in the combined financial statements (all funds summary) of the United Nations.

Annex III

Inactive trust funds as at 31 December 2005

(Thousands of United States dollars)

Trust fund	*Fund code*	*Fund balance*	*Inactive since/in*
United Nations Trust Fund for training for the United Nations Transition Assistance Group	UTA	118	1990-1991
Trust Fund for Somalia police force (sub-account of the Trust Fund for Somalia unified command)	SUA	313	1994-1995
Trust Fund for Publicity against Apartheid	UAA	282	1997-2003
Cambodia Trust Fund	KCA	1 156	1998-1999
Trust Fund for the settlement of the question of East Timor	TYA	13 890	
Trust Fund for special projects of the Special Committee against Apartheid	AAA	31	2002-2003
Trust Fund to Support the International Security Assistance Force in Afghanistan	ANS	21	2002-2003
Trust Fund for Activities related to Administrative and Budgetary Aspects of Peacekeeping Operations	APA	1	2000-2003
Emergency Trust Fund for humanitarian assistance for Iraq, Kuwait and Iraq-Turkey and Iraq-Iran border areas	BRA	364	2002-2003
Voluntary Fund for the Cambodian Peace Process	CEA	662	2002-2003
Trust Fund for the Repatriation of Cambodian Refugees and Displaced Persons	CNA	116	2002-2003
Committee on the Elimination of Racial Discrimination	EDA	415	2002-2003
Trust Fund of the World Food Council	FDA	236	2002-2003
Trust Fund to finance third world observers to the South African elections	FTA	274	2002-2003
Trust Fund for the United Nations Special Coordinator in the Occupied Territories	GGA	301	2000-2003
Trust Fund for the International Commission of Inquiry on the Arms Flows in the Great Lakes Region of Central Africa	GSA	422	2000-2003
Trust Fund for the Participation of all States in activities related to the special session of the General Assembly on HIV/AIDS	HXA	77	2002-2003
Trust Fund for the Ad Hoc Intergovernmental Group of Experts in the Legal and Financial Fields	LFA	9	2002-2003
Voluntary Fund for Supporting Developing Countries' Participation in the 1994 International Conference on Population and Development and its Preparatory Process	PGA	281	2002-2003
United Nations Philatelic Museum (Geneva)	PMA	4	2002-2003
Trust Fund in support of the activities of the Committee on the Exercise of the Inalienable Rights of the Palestinian People	QPA	26	2002-2003
Trust Fund to assist with field mission transport management	TSA	47	2002-2003
The Special (Ralph Bunche) Account for the Secretary-General for Purposes Related to Peace and Security	YEA	242	2000-2003
Meditation Room gifts from New York City	YXA	13	2002-2003
Sculpture in memory of Hammarskjöld, grant by Blaustein Foundation	YYA	17	2002-2003
Sub-Fund of the Trust Fund for Humanitarian Relief in Iraq	BIA	1 853	2004-2005

Trust fund	*Fund code*	*Fund balance*	*Inception–cut-off*
Sub-Fund of the Trust Fund for the Police Assistance Programme in Bosnia and Herzegovina	EZA	602	2004–2005
Sub-Fund for the American Contribution to MINUGUA under the Trust Fund for the Guatemala Peace Process	GJA	188	2004–2005
Sub-Fund of the Trust Fund for the Ad Hoc Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting	IGA	8	2004–2005
Sub-Fund of the Trust Fund for the Administration of the Agreement between the United Nations and Jordan in pursuance of Security Council resolution 661 (1990)	IOA	268	2004–2005
Sub-Fund of the Trust Fund on Voluntary Fund to grant travel assistance to developing countries members of the United Nations Commission on International Trade Law	TCA	3	2004–2005
Sub-Fund of the Trust Fund for the United Nations Transitional Administration in East Timor (UNTAET)	UZA		2004–2005
Sub-Fund, Personal and Real Property Willed to the United Nations	YCA	4 754	2004–2005
Sub-Fund of the Hamish Brown Fellowship Fund	YDA	3	2004–2005
Sub-Fund of the Trust Fund for Assistance to the Special Representative of the United Nations Secretary-General for Burundi in support of peacekeeping	YNA	259	2004–2005
Total	**35**	**27 454**	

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations comprising statements numbered I to X, schedules numbered 5.1, 5.2, 7.1, 9.1 and 10.1 to 10.5 and the supporting notes, including appendices A and B, for the biennium ended 31 December 2005. These financial statements are the responsibility of the Secretary-General of the United Nations. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as at 31 December 2005 and the results of its operations and its cash flows for the biennium then ended, in accordance with the United Nations System Accounting Standards.

Furthermore, in our opinion, the transactions of the United Nations that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the United Nations.

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)
(Lead Auditor)

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the audit opinion.

Chapter IV

Certification of the financial statements

The financial statements of the United Nations for the biennium ended 31 December 2005 have been prepared in accordance with financial rule 106.10. They include all funds except those for peacekeeping operations, the United Nations Compensation Commission, the United Nations escrow account established under the provisions of Security Council resolution 986 (1995), the United Nations escrow accounts established under the provisions of Security Council resolutions 687 (1991), 706 (1991), 778 (1992) and 1284 (1999), the International Tribunal for the Former Yugoslavia and the International Tribunal for Rwanda, which are the subject of separate financial statements.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes provide additional information and clarification of the financial activities undertaken by the Organization during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations, numbered I to X, are correct.

(*Signed*) Warren **Sach**
Assistant Secretary-General, Controller

31 March 2006

Chapter V

Financial statements for the biennium ended 31 December 2005

Statement I

United Nations all funds summary[a]
Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	General Fund and related funds (St. V)	Technical cooperation activities (St. VI)	General trust funds (St. VII)	Tax Equalization Fund (St. VIII)	Capital assets & construction in progress (St. IX)	Other special funds (St. X)	All funds eliminations	Total 2004-2005	Total 2002-2003[c]
Income									
Assessed contributions	3 647 567	–	–	–	17 802	–	–	3 665 369	2 882 517
Voluntary contributions	–	248 173	1 049 481	–	–	5 492	–	1 303 146	534 364
Net revenue-producing activities	5 829	–	–	–	–	–	–	5 829	455
Funds received under inter-organization arrangements	–	46 150	3 680	–	–	142 315	–	192 145	151 273
Allocations from other funds	–	42 864	–	–	67 417	154 050	(240 440)	23 891	12 650
Income for services rendered	6 479	–	–	–	–	181 235	(79 297)	108 417	108 049
Interest income	16 134	7 133	30 412	–	1 221	20 819	–	75 719	106 608
Other/miscellaneous income	22 163	987	40 926	708 851	4 444	139 794	(431 398)	485 767	458 248
Total income	**3 698 172**	**345 307**	**1 124 499**	**708 851**	**90 884**	**843 705**	**(751 135)**	**5 860 283**	**4 554 184**
Expenditure									
Total expenditure	**3 612 216**	**277 217**	**928 447**	**669 693**	**69 351**	**581 004**	**(819 134)**	**5 318 794**	**4 286 126**
Excess (shortfall) of income over expenditure	**85 956**	**68 090**	**196 052**	**39 158**	**21 533**	**62 701**	**67 999**	**541 489**	**268 058**
Prior period adjustments	(4 599)	(123)	(334)	(5 379)	–	890	3	(9 542)	(13 494)
Net excess (shortfall) of income over expenditure	**81 357**	**67 967**	**195 718**	**33 779**	**21 533**	**63 591**	**68 002**	**531 947**	**254 564**
Savings on or cancellation of prior periods' obligations	21 596	–	–	3 603	1 349	4 726	–	31 274	26 758
Transfers (to) from other funds	–	6 210	(7 934)	–	–	1 355	–	(369)	(17)
Transfers (to) from other organizations	–	–	(10 487)	–	–	–	–	(10 487)	(21 840)
Transfer to construction in progress	–	–	–	–	68 002	–	(68 002)	–	–
Refund to donors	–	(8 585)	(36 600)	–	–	–	–	(45 185)	(95 098)
Other adjustments to reserves and fund balances	(1 275)	852	–	(4 381)	(6)	8 185	–	3 175	9 801
Reserves and fund balances, beginning of period	316 314	143 244	668 941	76 268	524 020	544 446	–	2 273 233	2 099 065
Reserves and fund balances, end of period	**417 992**	**209 488**	**809 638**	**109 269**	**614 898**	**622 303**	**-**	**2 783 588**	**2 273 233**

[a] See notes 2 and 3.
[b] The peacekeeping accounts, the United Nations Iraq escrow accounts and accounts for the United Nations Compensation Commission and the International Tribunals for the Former Yugoslavia and Rwanda have been omitted as they are reported in separate sets of financial statements.
[c] Comparative figures have been restated to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Statement II

United Nations all funds summary[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	General Fund and related funds (St. V)	Technical cooperation activities (St. VI)	General trust funds (St. VII)	Tax Equalization Fund (St. VIII)	Capital assets & construction in progress (St. IX)	Other special funds (St. X)	All funds eliminations	Total 2005	Total 2004[b]
Assets									
Cash and term deposits	25 960	57 879	214 735		79	71 817		370 470	324 713
Short-term investments						2 675		2 675[c]	7 160
Long-term investments			2 182			46 767		48 949[c]	38 355
Cash pools[d]	444 227	151 264	484 457		34 956	410 726		1 525 624	966 640
Assessed contributions receivable from Member States	344 829				10 197	6 100		361 126	466 217
Voluntary contributions receivable			47 215					47 215	14 137
Inter-fund balances receivable	378 543	32 700	43 273	123 621	78 811	69 080	(563 658)	162 370[c]	314 644
Other accounts receivable	76 406	46 934	255 587	44 991	84	105 326		529 328	396 891
Other assets	79 079	8 553	674		6 462	1 279		96 047	90 579
Land and buildings					437 897			437 897	437 897
Construction in progress					90 712			90 712	22 716
Total assets	**1 349 044**	**297 330**	**1 048 123**	**168 612**	**659 192**	**713 770**	**(563 658)**	**3 672 413**	**3 079 949**
Liabilities									
Contributions or payments received in advance	3 078				5 698	23		8 799	6 807
Unliquidated obligations	209 485	42 413	173 226	59 337	25 863	21 304		531 628	370 427
Inter-fund balances payable	589 423	27 252	29 842		8 324	49 514	(563 658)	140 697[c]	257 660
Other accounts payable	128 081	16 591	7 318	6	4 409	20 052		176 457	160 812
Other liabilities	985	1 586	28 099			574		31 244	11 010
Total liabilities	**931 052**	**87 842**	**238 485**	**59 343**	**44 294**	**91 467**	**(563 658)**	**888 825**	**806 716**
Reserves and fund balances									
Operating reserves			22 356			93 713		116 069	84 399
Reserves for allocations			106 609					106 609	104 807
Balances related to projects funded by donors		209 488						209 488	142 741
Working capital funds	100 000							100 000	417 675
Capital funds relating to land and buildings					417 675			417 675	101 275
Authorized retained surplus	68 356							68 356	68 356
Fund principal from contributions	48 728		4 050		20 222	49 482		122 482	122 462
Cumulative surplus (deficit)	200 908		676 623	109 269	177 001	479 108		1 642 909	1 231 518
Total reserves and fund balances	**417 992**	**209 488**	**809 638**	**109 269**	**614 898**	**622 303**		**2 783 588**	**2 273 233**
Total liabilities and reserves and fund balances	**1 349 044**	**297 330**	**1 048 123**	**168 612**	**659 192**	**713 770**	**(563 658)**	**3 672 413**	**3 079 949**

[a] See notes 2 and 3.

[b] The peacekeeping accounts, the United Nations Iraq escrow accounts and accounts for the United Nations Compensation Commission and the International Tribunals for the Former Yugoslavia and Rwanda have been omitted as they are reported in separate sets of financial statements.

[c] Comparative figures have been restated to conform to current presentation.

[d] Represents investments in bonds, treasury bills and commercial papers.

[e] See note 2m(iii).

[f] Includes interfund loans and balances relating to peacekeeping activities, the United Nations Iraq escrow accounts, the United Nations Compensation Commission and the International Tribunals for the Former Yugoslavia and Rwanda which have not been eliminated.

The accompanying notes are an integral part of the financial statements.

United Nations all funds summary[a,b]

Statement of cash flows for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	General Fund and related funds (St. V)	Technical cooperation activities (St. VI)	General trust funds (St. VII)	Tax Equalization Fund (St. VIII)	Capital assets & construction in progress (St. IX)	Other special funds (St. X)	All funds eliminations	Total 2005	Total 2004[c]
Cash flows from operating activities									
Net excess (shortfall) of income over expenditure (Statement I)	81 357	67 967	195 718	33 779	21 533	63 591	68 002	531 947	254 564
(Increase) decrease in contributions receivable	108 224	-	(33 098)	-	(3 151)	38		72 013	(213 392)
(Increase) decrease in inter-fund balances receivable	264 652	6 414	(39 248)	(29 916)	(36 923)	(13 304)	599	152 274	234 306
(Increase) decrease in other accounts receivable	9 108	429	(101 172)	(2 717)	(83)	(38 002)	-	(132 437)	109 539
(Increase) decrease in other assets	1 321	1 086	(373)	4	(6 432)	(1 074)	-	(5 468)	(2 389)
Increase (decrease) in contributions or payments received in advance	(3 699)	-	-	-	5 696	(5)		1 992	(1 010)
Increase (decrease) in unliquidated obligations	71 284	(7 431)	77 264	(375)	16 609	3 850		161 201	5 860
Increase (decrease) in inter-fund balances payable	(167 952)	2 673	2 619	-	6 325	39 971	(599)	(116 963)	(138 607)
Increase (decrease) in accounts payable	14 642	(14 283)	1 003	3	2 814	11 466	-	15 643	5 938
Increase (decrease) in other liabilities	(1 084)	991	20 192	-		135	-	20 234	(459)
Less: interest income	(16 134)	(7 133)	(30 412)	-	(1 221)	(20 819)	-	(75 719)	(106 608)
Net cash flows from operating activities	**361 719**	**50 713**	**92 493**	**778**	**5 167**	**45 847**	**68 002**	**624 719**	**148 362**
Cash flows from investing activities									
(Increase) decrease in short-term investments	-	-	4 353	-	-	132	-	4 485	57 447
(Increase) decrease in long-term investments	-	-	(122)	-	-	(10 472)	-	(10 594)	(4 493)
(Increase) decrease in cash pools	(403 539)	(47 965)	(31 704)	-	(8 493)	(67 283)	-	(556 984)	(44 669)
(Increase) decrease in construction in progress	-	-	-	-	(67 996)	-	-	(67 996)	(15 835)
Plus: interest income	16 134	7 133	30 412	-	1 221	20 819	-	75 719	106 608
Net cash flows from investing activities	**(387 405)**	**(40 832)**	**2 939**	**-**	**(75 268)**	**(56 804)**	**-**	**(557 370)**	**99 058**
Cash flows from financing activities									
Savings on or cancellation of prior periods' obligations	21 596			3 603	1 349	4 726		31 274	26 758
Transfers (to) from other funds	-	6 210	(7 934)	-		1 355	-	(369)	(17)
Transfers (to) from other organizations	-	-	(10 487)	-	-	-	-	(10 487)	(21 840)
Transfer to construction in progress	-	-	-	-	68 002	-	(68 002)	-	-
Refunds to donors	-	(8 585)	(36 600)	-	-	-	-	(45 185)	(95 098)
Other adjustments to reserves and fund balances	(1 275)	652	-	(4 381)	(6)	8 185	-	3 175	9 801
Net cash flows from financing activities	**20 321**	**(1 723)**	**(55 021)**	**(778)**	**69 345**	**14 266**	**(68 002)**	**(21 592)**	**(80 396)**
Net increase (decrease) in cash and term deposits	(5 365)	8 158	40 411	-	(756)	3 309	-	45 757	167 024
Cash and term deposits, beginning of period	31 325	49 721	174 324	-	835	68 508	-	324 713	157 689
Cash and term deposits, end of period	**25 960**	**57 879**	**214 735**	**-**	**79**	**71 817**	**-**	**370 470**	**324 713**

[a] See note 3.

[b] The peacekeeping accounts, the United Nations Iraq escrow accounts and accounts for the United Nations Compensation Commission and the International Tribunals for the Former Yugoslavia and Rwanda have been omitted as they are reported in separate sets of financial statements.

[c] Comparative figures have been restated to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Statement IV

United Nations General Fund

Statement of appropriations for the biennium 2004-2005 ending 31 December 2005

(Thousands of United States dollars)

		Appropriations	*Expenditures*			
Appropriation part and section		*Rev. 60/245[a]*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
Part I. Overall policymaking, direction and coordination						
01	Overall policymaking, direction and coordination	63 459	60 524	1 769	62 293	1 166
02	General Assembly affairs and conference services	555 849	533 728	12 195	545 923	9 926
	Total	**619 308**	**594 252**	**13 964**	**608 216**	**11 092**
Part II. Political affairs						
03	Political affairs	486 127	409 233	67 477	476 710	9 417
04	Disarmament	17 702	16 748	380	17 128	574
05	Peacekeeping operations	88 856	82 590	4 202	86 792	2 064
06	Peaceful uses of outer space	5 842	5 590	179	5 769	73
	Total	**598 527**	**514 161**	**72 238**	**586 399**	**12 128**
Part III. International justice and law						
07	International Court of Justice	33 831	32 934	750	33 684	147
08	Legal affairs	40 509	37 857	1 337	39 194	1 315
	Total	**74 340**	**70 791**	**2 087**	**72 878**	**1 462**
Part IV. International cooperation for development						
09	Economic and social affairs	140 903	137 134	1 678	138 812	2 091
10	Office of the High Representative for Least developed countries, Landlocked developing countries, and Small island developing States	4 098	3 870	120	3 990	108
11	United Nations support for the New Parternership for Africa's Development	8 268	7 578	316	7 894	374
12	Trade and development	111 595	109 594	1 384	110 978	617
13	International Trade Centre UNCTAD/WTO	25 630	25 630	-	25 630	-
14	Environment	11 035	10 769	145	10 914	121
15	Human settlements	15 984	15 503	481	15 984	-
16	Crime prevention and criminal justice	10 698	10 013	359	10 372	326
17	International drug control	20 802	19 595	978	20 573	229
	Total	**349 013**	**339 686**	**5 461**	**345 147**	**3 866**
Part V. Regional cooperation for development						
18	Economic and social development in Africa	94 079	87 908	4 881	92 789	1 290
19	Economic and social development in Asia and the Pacific	68 931	67 990	941	68 931	-
20	Economic development in Europe	55 761	54 036	603	54 639	1 122
21	Economic and social development in Latin America and the Caribbean	84 220	82 426	1 604	84 030	190
22	Economic and social development in Western Asia	50 133	48 103	1 727[b]	49 830	303
23	Regular programme of technical cooperation	42 872	40 597	2 267	42 864	8
	Total	**395 996**	**381 060**	**12 023**	**393 083**	**2 913**
Part VI. Human rights and humanitarian affairs						
24	Human rights	61 870	57 412	2 496	59 908	1 962
25	Protection of and assistance to refugees	67 019	61 752	4 531	66 283	736
26	Palestine refugees	36 260	36 260	-	36 260	-
27	Humanitarian assistance	23 915	22 397	839	23 236	679
	Total	**189 064**	**177 821**	**7 866**	**185 687**	**3 377**

Statement IV
(concluded)

United Nations General Fund
Statement of appropriations for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

		Appropriations	*Expenditures*			
Appropriation part and section		*Res. 60/245[a]*	*Disbursements*	*Unliquidated obligations*	*Total expenditures*	*Unencumbered balance*
Part VII. Public information						
28	Public information	161 439	156 325	2 212	158 537	2 902
	Total	**161 439**	**156 325**	**2 212**	**158 537**	**2 902**
Part VIII. Common support services						
29A	Office of the Under-Secretary-General for Management	11 723	11 341	218	11 559	164
29B	Office of Programme Planning, Budget and Accounts	28 931	28 275	623	28 898	33
29C	Office of Human Resources Management	57 486	55 045	1 825	56 870	616
29D	Office of Central Support Services	228 080	212 782	14 341	227 123	957
29E	Administration, Geneva	102 259	94 683	6 707	101 390	869
29F	Administration, Vienna	32 102	30 764	1 259	32 023	79
29G	Administration, Nairobi	15 534	15 186	260	15 446	88
	Total	**476 115**	**448 076**	**25 233**	**473 309**	**2 806**
Part IX.Internal oversight						
30	Internal oversight	23 760	22 751	287	23 038	722
	Total	**23 760**	**22 751**	**287**	**23 038**	**722**
Part X. Jointly financed administrative activities and special expenses						
31	Jointly financed administrative activities	10 570	10 230	–	10 230	340
32	Special expenses	82 192	81 162	139	81 301	891
	Total	**92 762**	**91 392**	**139**	**91 531**	**1 231**
Part XI. Capital expenditures						
33	Construction, alteration, improvement and major maintenance	104 792	89 590	14 117	103 707	1 085
	Total	**104 792**	**89 590**	**14 117**	**103 707**	**1 085**
Part XII. Staff assessment						
34	Staff assessment	430 303	430 303	–	430 303	–
	Total	**430 303**	**430 303**	–	**430 303**	–
Part XIII. Development account						
35	Development account	13 065	13 065	–	13 065	–
	Total	**13 065**	**13 065**	–	**13 065**	–
Part XIV.Security and safety						
36	Security and safety	127 316	121 366	5 950	127 316	–
	Total	**127 316**	**121 366**	**5 950**	**127 316**	–
	Grand total	**3 655 800**	**3 450 639**	**161 577**	**3 612 216**	**43 584**

[a] Incorporates amounts transferred between sections of the budget with the concurrence of the Advisory Committee on Administrative and Budgetary Questions.

Statement V

United Nations General Fund and related funds[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	United Nations General Fund	Working Capital Fund	Special Account	*Total 2005*	*Total 2003*[b]
Income					
Assessed contributions[c]	3 647 567	-	-	3 647 567	2 857 017
Net revenue-producing activities	5 829[d]	-	-	5 829	455
Income for services rendered	6 479	-	-	6 479	7 140
Interest income	9 381	-	6 753	16 134	14 194
Other/miscellaneous income	22 133[e]	-	30	22 163	27 228
Total income	**3 691 389**	**-**	**6 783**	**3 698 172**	**2 906 034**
Expenditure					
Staff and other personnel costs	2 697 712	-	-	2 697 712	2 300 220
Travel	74 751	-	-	74 751	61 400
Contractual services	97 565	-	-	97 565	80 140
Operating expenses	318 652	-	-	318 652	239 242
Acquisitions	227 570	-	-	227 570	114 272
Other	195 966	-	-	195 966	169 306
Total expenditure	**3 612 216**	**-**	**-**	**3 612 216**	**2 964 580**
Excess (shortfall) of income over expenditure	**79 173**	**-**	**6 783**	**85 956**	**(58 546)**
Prior period adjustments	(4 599)[f]	-	-	(4 599)	(696)
Net excess (shortfall) of income over expenditure	**74 574**	**-**	**6 783**	**81 357**	**(59 242)**
Savings on or cancellation of prior periods' obligations	21 596	-	-	21 596	18 553
Transfers (to) from other funds	-	-	-	-	20
Other adjustments to reserves and fund balances	-	(1 275)	-	(1 275)	(30)
Reserves and fund balances, beginning of period	7 118	101 275	207 921	316 314	357 013
Reserves and fund balances, end of period	**103 288**	**100 000**	**214 704**	**417 992**	**316 314**

United Nations General Fund and related funds[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005
(Thousands of United States dollars)

	United Nations General Fund	Working Capital Fund	Special Account	*Total 2005*	*Total 2003*[a]
Assets					
Cash and term deposits[g]	25 960	-	-	25 960	31 325
Cash pool[h]	231 634	-	212 593	444 227	40 688
Assessed contributions receivable from Member States[c]	344 827	2	-	344 829	453 053
Inter-fund balances receivable	278 519	100 024	-	378 543	643 195
Other accounts receivable	73 078	-	-	73 078	82 186
Deferred charges[i]	59 387	-	-	59 387	58 107
Inter-office transactions pending processing	3 055	-	-	3 055	5 656
Special account for assessed contributions unpaid pursuant to resolution 3049 C (XXVII)	16 637	-	-	16 637	16 637
Due from the Special Account of the United Nations Emergency Force (1956)	-	-	1 932	1 932	1 932
Due from the Ad Hoc Account for the United Nations Operation in the Congo	-	-	1 396	1 396	1 396
Total assets	**1 033 097**	**100 026**	**215 921**	**1 349 044**	**1 334 175**
Liabilities					
Contributions or payments received in advance	3 078	-	-	3 078	6 777
Unliquidated obligations - current period	161 577	-	-	161 577	91 090
Unliquidated obligations - future periods	47 908	-	-	47 908	47 111
Inter-fund balances payable	588 206	-	1 217	589 423	757 375
Inter-office transactions pending processing	479	-	-	479	1 342
Other accounts payable	128 055[j]	26[k]	-	128 081	113 439
Other liabilities	506	-	-	506	727
Total liabilities	**929 809**	**26**	**1 217**	**931 052**	**1 017 861**
Reserves and fund balances					
Working capital funds	-	100 000	-	100 000	101 275
Authorized retained surplus	68 356	-	-	68 356	68 356

	United Nations General Fund	Working Capital Fund	Special Account	*Total 2005*	*Total 2003*[b]
Fund principal from contributions	-	-	48 728	48 728	48 728
Cumulative surplus (deficit)	34 932	-	165 976[i]	200 908	97 955
Total reserves and fund balances	**103 288**	**100 000**	**214 704**	**417 992**	**316 314**
Total liabilities, reserves and fund balances	**1 033 097**	**100 026**	**215 921**	**1 349 044**	**1 334 175**

[a] See note 5.
[b] Comparative figures have been reclassified to conform to current presentation.
[c] Includes contributions unpaid irrespective of collectibility. See note 4 for reconciliation of appropriations and assessments.
[d] See Schedule 5.1.
[e] See Schedule 5.2.
[f] Includes prior charges in respect of settlements with UNDP and UNEP and write-offs.
[g] Comprises operational cash and term deposits of $31,532,931 offset by overdraft of $5,572,933.
[h] Represents share of the United Nations cash pool and comprises cash and term deposits of $69,218,951 short-term investments of $202,566,260 market value $202,566,260), long-term investments of $169,670,826 (market value $167,485,924) and accrued interest receivable of $2,771,378.
[i] Includes commitments in respect of future periods of $47,907,383.
[j] Includes unliquidated obligations of $2,195,785 for revenue-producing activities.
[k] Advance from former Yugoslavia, disposition of which is pending a General Assembly decision.
[l] Net of $3,911,000, appropriated for the United Nations Emergency Force, pursuant to General Assembly resolution 2115 (XX) II.

The accompanying notes are an integral part of the financial statements.

United Nations General Fund
Revenue-producing activities
Schedule of income and expenditure for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Sale of UN postage stamps	Sale of United Nations publications[a]	Services to visitors[b]	Statistical products	Gift centre	News-stand operations	Garage operation[c]	Catering operations[d]	Other commercial operations[e]	Total 2005	Total 2003[g]
Income:											
Gross sales	14 116	15 456	7 691	1 311	877	204	2 488	1 930	1 183	45 256	41 640
Less cost of sales	1 583	3 707	-	-	-	-	-	-	-	5 290	5 085
Net income from sales	12 533	11 749	7 691	1 311	877	204	2 488	1 930	1 183	39 966	36 555
Expenditure:											
Staff and other personnel costs	8 617	7 019	7 415	458	105	34	1 167	234	267	25 316	27 035
Travel	92	92	5	247	-	1	-	3	5	445	659
Contractual services	4	1 156	58	-	-	-	9	-	13	1 240	1 810
Operating expenses	979	1 446	101	97	-	-	207	926	65	3 821	3 511
Acquisitions	124	128	33	61	-	-	-	-	381	727	645
Promotional costs	602	1 068	127	-	-	-	-	-	-	1 797	1 603
Management fees	-	47	-	-	-	-	-	-	-	47	30
Total expenditure	10 418	10 956	7 739	863	105	35	1 383	1 163	731	33 393	35 293
Excess of income over expenditure	2 115	793	(48)	448	772	169	1 105	767	452	6 573	1 262
Less salary and common staff costs of Revenue Accounts Unit										(744)	(807)
Net excess of income over expenditure										5 829	455

Schedule of budget estimates for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Sale of UN postage stamps	Sale of United Nations publications	Services to visitors	Statistical products	Gift centre	News-stand operations	Garage operation	Catering operations	Other commercial operations	Total 2005	Total 2003
Revised income estimates for the biennium 2004-2005 ending 31 December 2005	1 413	1 299	(486)	336	752	200	1 215	1 586	412	6 727	2 055
Less revenue accounts unit										(737)	(807)
Net income estimates for the biennium 2004-2005 ending 31 December 2005										5 990[f]	1 248

[a] Includes net loss of $147,787 from the United Nations Office at Geneva.
[b] Includes net losses of $467,695 from the United Nations Office at Geneva and $334,762 from the United Nations Office at Vienna.
[c] Includes net income of $10,528 from ESCAP and net loss of $1,119 from the United Nations Office at Geneva.
[d] Includes net income of $40,839 from ESCAP.
[e] Represents net income of $150,180 from ESCAP, $252,099 from ECA, and $50,011 from the United Nations Office at Vienna.
[f] Represents net income estimates for the biennium 2004-2005 approved in General Assembly resolution A/60/245.
[g] Comparative figures have been reclassified to conform to current presentation.

Schedule 5.2

United Nations General Fund
Schedule of miscellaneous income for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Final estimates for the biennium 2004-2005[a]	Actual for the biennium 2004-2005	Actual for the biennium 2002-2003
Net income from revenue-producing activities (schedule 5.1)	5 990	5 829	455
Income for services rendered	6 224	6 479	7 140
Interest income	10 157	9 381	1 242
Other/miscellaneous income:			
Income from rental of premises	10 994	11 181	15 786
Sale of used equipment	354	549	1 202
Refund of prior years' expenditures	1 892	3 129	1 481
Contributions of non-member States and new Member States	7	15	6 729
Television and similar services	162	177	(177)
Gain on currency fluctuation	-	2 691	-
Other	1 891	4 391	2 190
Subtotal other/miscellaneous income	15 300	22 133	27 211
Total miscellaneous income	**37 671**	**43 822**	**36 048**

[a] Represents amounts approved by the General Assembly in resolution 60/245.

Technical cooperation activities[a]
Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	United Nations	ECA	ESCAP	ECE	ECLAC	ESCWA	UNCTAD	UN-Habitat[c]	Total 2005	Total 2003 b/
Income										
Voluntary contributions	117 139	13 597	27 125	9 200	19 436	9 842	51 834	-	248 173	172 017
Funds received under inter-organization arrangements	26 337	228	2 052	139	1 237	506	15 651	-	46 150	65 031
Allocations from other funds[c]	16 989	7 353	4 265	2 847	4 588	3 886	1 949	987	42 864	43 902
Interest income	3 258	154	1 023	379	394	18	1 907	-	7 133	9 971
Other miscellaneous income	377	47	5	3	373	16	166	-	987	1 063
Total income	**164 100**	**21 379**	**34 470**	**12 568**	**26 028**	**14 268**	**71 507**	**987**	**345 307**	**291 984**
Expenditure										
Staff and other personnel costs	88 326	12 920	11 432	7 560	15 697	5 046	38 376	894	180 251	169 024
Travel	5 840	2 235	1 467	1 791	763	572	5 764	73	18 505	15 519
Contractual services	6 390	2 358	2 078	261	398	293	2 301	-	14 079	21 375
Operating expenses	1 597	227	744	234	906	133	1 223	14	5 078	7 740
Acquisitions	3 669	215	180	48	155	847	750	6	5 870	6 020
Other	8 946	4 560	5 640	570	2 756	1 060	5 521	-	29 053	20 700
Total project costs	114 768	22 515	21 541	10 464	20 675	7 951	53 935	987	252 836	240 378
Programme support costs	11 431	1 863	2 043	939	1 704	375	6 026	-	24 381	20 016
Total expenditure	**126 199**	**24 378**	**23 584**	**11 403**	**22 379**	**8 326**	**59 961**	**987**	**277 217**	**260 394**
Excess (shortfall) of income over expenditure	**37 901**	**(2 999)**	**10 886**	**1 165**	**3 649**	**5 942**	**11 546**	-	**68 090**	**31 590**
Prior period adjustments	(76)	43	-	-	-	-	(90)	-	(123)	17
Net excess (shortfall) of income over expenditure	**37 825**	**(2 956)**	**10 886**	**1 165**	**3 649**	**5 942**	**11 456**	-	**67 967**	**31 607**
Transfers (to) from other funds	4 270	-	(79)	-	-	1 812	207	-	6 210	(96)
Refund to donors	(7 737)	(157)	(291)	(47)	598	(329)	(622)	-	(8 585)	(6 461)
Other adjustments to fund balances	-	-	-	-	513	139	-	-	652	374
Reserves and fund balances, beginning of period	63 115	11 679	22 957	6 451	5 473	599	32 970	-	143 244	117 820
Reserves and fund balances, end of period	**97 473**	**8 566**	**33 473**	**7 569**	**10 233**	**8 163**	**44 011**	-	**209 488**	**143 244**

Statement VI (concluded)

Technical cooperation activities[a]
Statement of assets and liabilities and reserves and fund balances as at 31 December 2005
(Thousands of United States dollars)

	United Nations	ECA	ESCAP	ECE	ECLAC	ESCWA	UNCTAD	UN-Habitat[b]	Total 2005	Total 2003[b]
Assets										
Cash and term deposits	2 057	–	965	7 847	1 063	–	45 947	–	57 879	49 721
OAH cash pool[d]	–	13 882	33 915	–	10 630	9 472	–	–	67 899	33 385
Cash pool[e]	83 365	–	–	–	–	–	–	–	83 365	69 914
Inter-fund balances receivable	29 079	2 019	291	7	1 304	–	–	–	32 700	39 114
Receivable from funding sources	22 015	298	14	47	85	9	3 741	–	26 209	29 100
Other accounts receivable	16 097	54	29	166	28	1	4 350	–	20 725	18 263
Deferred charges	7 927	12	231	15	243	25	100	–	8 553	9 639
Total assets	**160 540**	**16 265**	**35 445**	**8 082**	**13 353**	**9 507**	**54 138**	**-**	**297 330**	**249 136**
Liabilities										
Unliquidated obligations – prior periods	2 683	219	5	2	–	7	360	–	3 276	5 202
Unliquidated obligations – current period	22 178	2 329	1 322	420	738	460	5 302	–	32 749	36 674
Unliquidated obligations – future periods	6 129	–	–	–	243	16	–	–	6 388	7 968
Inter-fund balances payable	20 479	3 226	276	66	40	176	2 989	–	27 252	24 579
Payables due to funding source	8 722	1 851	92	7	525	486	–	–	11 683	18 284
Other accounts payable	2 215	74	277	18	649	199	1 476	–	4 908	12 590
Other liabilities	661	–	–	–	925	–	–	–	1 586	595
Total liabilities	**63 067**	**7 699**	**1 972**	**513**	**3 120**	**1 344**	**10 127**	**-**	**87 842**	**105 892**
Reserves and fund balances										
Operating reserves	–	–	–	–	–	–	–	–	–	503
Extrabudgetary funds relating to projects funded by donors	97 473	8 566	33 473	7 569	10 233	8 163	44 011	–	209 488	142 741
Total reserves and fund balances	**97 473**	**8 566**	**33 473**	**7 569**	**10 233**	**8 163**	**44 011**	**-**	**209 488**	**143 244**
Total liabilities and reserves and fund balances	**160 540**	**16 265**	**35 445**	**8 082**	**13 353**	**9 507**	**54 138**	**-**	**297 330**	**249 136**

[a] See notes 2 (o) and 6.

[b] Effective 1 January 2004, excludes all accounts pertaining to UN-Habitat (except those for the regular programme of technical cooperation funded by allocation from section 23 of the United Nations General Fund), as these are reported on in the financial statements for the United Nations Human Settlements Programme. See note 6. Comparative figures have been restated accordingly.

[c] Represents expenditures under section 23, regular programme of technical cooperation of the regular budget, see statement IV.

[d] Represents share of the United Nations Offices away from Headquarters (OAH) cash pool and comprises cash and term deposits of $44,199,648, short-term investments of $23,487,049 (market value $23,487,049) and accrued interest receivable of $212,360.

[e] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $12,989,869, short-term investments of $38,014,289 (market value $38,014,289), long-term investments of $31,841,017 (market value $31,430,991) and accrued interest receivable of $520,087.

The accompanying notes are an integral part of the financial statements.

United Nations general trust funds

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Political affairs	International justice and law	Economic and social development	Human rights and humanitarian affairs	Public information	Common support and miscellaneous	United Nations Fund for International Partnerships[a]	Total 2005	Total 2003[b]
Income									
Voluntary contributions	90 838	2 788	96 954	579 785	876	55 872	222 368	1 049 481	656 571
Funds received under inter-organization arrangements	706	-	945	1 854	148	27	-	3 680	1 829
Interest income	5 540	337	3 142	12 311	359	6 394	2 329	30 412	54 691
Other/miscellaneous income[c]	2 627	228	2 319	16 974	2 483	1 464	14 831[d]	40 926	67 362
Total income	**99 711**	**3 353**	**103 360**	**610 924**	**3 866**	**63 757**	**239 528**	**1 124 499**	**780 453**
Expenditure									
Staff and other personnel costs	21 313	591	30 609	211 295	2 565	17 970	3 172	287 515	218 857
Travel	6 599	718	6 596	31 755	205	3 710	359	49 972	35 744
Contractual services	2 818	193	6 088	45 821	715	18 694	907	75 236	54 604
Operating expenses	2 931	235	2 553	32 575	536	5 733	57	44 620	30 441
Acquisitions	1 150	445	1 669	29 581	15	10 722	50	43 632	26 840
Other	8 921	801	12 320	90 743	-	7 577	240 648	361 010	272 214
Programme support costs (implementing partners)	173	-	510	7 707	-	2 985	-	11 375	1 487
Total direct expenditure	43 905	3 013	60 345	449 477	4 036	67 391	245 193	873 360	640 187
Programme support costs (United Nations)	3 884	335	5 076	42 149	495	2 702	446[e]	55 087	37 910
Total expenditure	**47 789**	**3 348**	**65 421**	**491 626**	**4 531**	**70 093**	**245 639**	**928 447**	**678 097**
Excess (shortfall) of income over expenditure	51 922	5	37 939	119 298	(665)	(6 336)	(6 111)	196 052	102 356
Prior period adjustments	(947)[f]	(3)	(283)	311	3	(158)[g]	743[h]	(334)	(7 689)
Net excess (shortfall) of income over expenditure	**50 975**	**2**	**37 656**	**119 609**	**(662)**	**(6 494)**	**(5 368)**	**195 718**	**94 667**
Transfers (to) from other funds	(4 899)	1	(1 535)	(1 176)	-	1 000	(1 325)	(7 934)	(22)
Transfers (to) from other organizations	(10 194)	-	(19)	-	-	(274)	-	(10 487)	(21 840)
Refunds to donors	(30 657)	(2 263)	(902)	(2 693)	(85)	-	-	(36 600)	(88 637)
Reserves and fund balances, beginning of period	156 639	9 147	65 454	235 216	8 250	174 405	19 830	668 941	684 773
Reserves and fund balances, end of period	**161 864**	**6 887**	**100 654**	**350 956**	**7 503**	**168 637**	**13 137**	**809 638**	**668 941**

Statement VII (concluded)

United Nations general trust funds

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Political affairs	International justice and law	Economic and social development	Human rights and humanitarian affairs[a]	Public Information	Common support and miscellaneous	United Nations Fund for International Partnerships[a]	Total 2005	Total 2003[b]
Assets									
Cash and term deposits	2 410	95	10 473	201 439	107	178	33	214 735	174 324
Short-term investments	-	-	-	-	-	-	-	-	4 353
Long-term investments	-	-	-	-	-	2 182	-	2 182[c]	2 060
OAH cash pool	-	-	56 331	-	-	-	-	56 331	12 535
Cash pool[d]	154 662	7 704	24 833	79 349	8 388	142 964	10 226	428 126	440 218
Voluntary contributions receivable	13 851	7	28 601	4 747	4	5	-	47 215	14 117
Inter-fund balances receivable	1 022	3	815	41 410	-	23	-	43 273	4 025
Other accounts receivable	546	1	401	53 920	160	566	1 978	59 572	19 929
Other assets	29	-	25	535	-	85	-	674	301
Advances to implementing partners	464	-	4 624	63 133	-	31 365	96 429	196 015	134 486
Total assets	**172 984**	**7 810**	**126 103**	**444 533**	**8 659**	**177 368**	**110 666**	**1 048 123**	**806 348**
Liabilities									
Unliquidated obligations	4 734	607	4 847	64 906	218	1 346	96 568	173 226	45 962
Inter-fund balances payable	5 651	310	1 766	15 002	370	5 987	756	29 842	27 223
Other accounts payable	542	4	597	5 760	86	144	205	7 318	6 315
Deferred income	193	2	18 239	7 909	502	1 254	-	28 099	7 907
Total liabilities	**11 120**	**923**	**25 449**	**93 577**	**1 156**	**8 731**	**97 529**	**238 485**	**137 407**
Reserves and fund balances									
Operating reserves	880	6	1 117	20 353	-	-		22 356	17 167
Reserves for allocations	678	-	4 329	69 205	-	32 397		106 609	104 807

	Political affairs	International justice and law	Economic and social development	Human rights and humanitarian affairs	Public Information	Common support and miscellaneous	United Nations Fund for International Partnerships[a]	Total 2005	Total 2003[a]
...nd principal from ...ntributions	-	-	-	2 000	1 000	1 050	-	4 050	4 050
...mulative surplus (deficit)	160 306	6 881	95 208	259 398	6 503	135 190	13 137	676 623	542 917
Total reserves and fund balances	**161 864**	**6 887**	**100 654**	**350 956**	**7 503**	**168 637**	**13 137**	**809 638**	**668 941**
Total liabilities and reserves and fund balances	**172 984**	**7 810**	**126 103**	**444 533**	**8 659**	**177 368**	**110 666**	**1 048 123**	**806 348**

[a] See note 7 (c).
[b] Comparative figures reclassified to conform to current presentation.
[c] Includes savings on or cancellation of prior period obligations.
[d] Includes savings on or cancellation of prior period obligations of $14,615,058.
[e] Represents programme support costs on projects carried out by the Secretariat.
[f] Includes adjustments to record prior period expenditure in the Trust Fund for the Settlement of the Question of East Timor ($360,859) and the Voluntary Fund for the Cambodian Peace Process ($157,650) and adjustments to prior period income in the Trust Fund for the Implementation of the Ottawa Convention on Landmines ($398,128).
[g] Includes transfer of income received in the prior biennium from the Trust Fund for Security of Staff Members of the United Nations System to the Central Emergency Revolving Fund ($200,000).
[h] Represents adjustments of prior period expenditures reported by implementing partners.
[i] Represents transfer to the Special Account for Programme Support Costs of the United Nations Fund for International Partnerships.
[j] Represents transfer of $10,194,405 from the Trust Fund in Support of the International Civilian Support Mission in Haiti to UNDP - Haiti.
[k] The market value of long-term investments is $2,239,460.
[l] Represents share of the United Nations Offices away from Headquarters (OAH) cash pool and comprises cash and term deposits of $40,203,128, short-term investments of $15,978,662 (market value $15,978,662) and accrued interest receivable of $149,145.
[m] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $66,709,985, short-term investments of $195,223,880 (market value $195,223,880), long-term investments of $163,520,800 (market value $161,415,094) and accrued interest receivable of $2,670,925.

The accompanying notes are an integral part of the financial statements.

Schedule 7.1

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
POLITICAL AFFAIRS				
Trust Fund for the United Nations Guard Contingent	647	101	-25	723
Trust Fund for Iraq-Kuwait Border Issues	1 096	578	146	1 528
Trust Fund for the Restoration of Essential Services in Sarajevo	2 158	33	2 191	-
United Nations Disarmament Information Programme	472	136	290	318
Trust Fund for the United Nations Centre for Disarmament	49	2	2	49
United Nations Institute for Disarmament Research	1 108	6 248	5 857	1 499
Trust Fund for the United Nations Programme on Space Applications	766	818	527	1 057
Trust Fund for the Promotion of Peace	15	-	15	-
United Nations Regional Centre for Peace and Disarmament in Africa	445	676	847	274
Trust Fund for the United Nations Regional Centre for Peace, Disarmament and Development in Latin America	1 046	2 423	2 771	698
Trust Fund for Global and Regional Disarmament Activities	2 249	688	1 371	1 566
Trust Fund for the United Nations Regional Centre for Peace and Disarmament in Asia	206	87	133	160
Voluntary Fund to Support the Activities of the International Tribunal Established by Security Council Resolution 827 (1993)	6 687	2 451	4 707	4 431
Trust Fund for the Administration of the Agreement Between United Nations and Jordan in Pursuance of Security Council Resolution 661 (1990)	257	11	-	268
Trust Fund to Support the Implementation of the Agreement on Temporary Ceasefire and the Cessation of Other Hostile Acts on the Tajik-Afghan Border and within the Country for the Duration of the Talks	7	-	7	-
Trust Fund of the United Nations Standing Advisory Committee on Security Questions in Central Africa	128	11	42	97
Trust Fund in Support of Special Mission and other Activities related to Preventive Diplomacy and Peacemaking	9 142	11 045	4 462	15 725
Trust Fund for Publicity Against Apartheid	271	11	-	282
Trust Fund for Special Projects of the Special Committee Against Apartheid	30	1	-	31
Trust Fund for the Repatriation of Cambodian Refugees and Displaced Persons	120	-	4	116
United Nations Trust Fund for Electoral Observation	2 454	961	2 445	970
Trust Fund to Finance Third World Observers to the South African Elections	263	11	-	274
Trust Fund for the Guatemala Peace Process	3 913	123	1 921	2 115
Trust Fund for Negotiations to Find a Comprehensive Settlement of the Georgian/Abkhaz Conflict	741	122	110	753
Trust Fund in Support of the Delimitation and Demarcation of the Ethiopia/Eritrea Border	5 609	1 236	1 200	5 645
Trust Fund for the Settlement of the Question of East Timor	13 697	554	361	13 890

Schedule 7.1
(continued)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Trust Fund to Support the United Nations Peacebuilding Support Office in Guinea-Bissau	346	59	292	113
Trust Fund to Support the Multinational Force in East Timor	6 555	24	6 579	-
Trust Fund for the United Nations Transitional Administration in East Timor	10 089	-	10 089	-
Trust Fund in Support of the International Civilian Support Mission in Haiti	10 194	69	10 263	-
Trust Fund in Support of the Activities of the Committee on the Exercise of the Inalienable Rights of the Palestinian People	25	1	-	26
Trust Fund for Updating the Repertoire of the Practice of the Security Council	220	23	68	175
Trust Fund in Support of the Security Council Committee established pursuant to Security Council resolution 864 (1993)	413	16	23	406
Trust Fund to Support the Peace Process in Ethiopia and Eritrea	366	499	456	409
Trust Fund for Peace-building in Somalia	1 449	3 047	87	4 409
Voluntary Fund for the Cambodian Peace Process	4 610	184	4 132	662
Trust Fund for the Activities of the International Support and Verification Commission	237	3	240	-
Trust Fund for Somalia - Unified Command	301	12	-	313
Trust Fund in Support of the implementation of the Agreement on a Cease-fire and Separation of Forces Signed in Moscow on 14 May 1994	278	951	813	416
Trust Fund for Police Assistance Programme in Bosnia and Herzegovina	1 943	33	1 332	644
Trust Fund for Children and Armed Conflict	888	400	404	884
Trust Fund to Support United Nations Peacekeeping-related Efforts in Sierra Leone	304	71	-	375
Trust Fund for the Support of Activities of the United Nations Mission in the Central African Republic	27	-	27	-
Trust Fund in Support of United Nations Peacemaking and Peacekeeping Activities	41 450	1 758	9 374	33 834
United Nations Trust Fund for the Training for United Nations Transition Assistance Group	113	5	-	118
Trust Fund for Peacemaking Activities of the Secretary-General	336	14	139	211
Trust Fund for Assistance to the Special Representative of the Secretary-General for Burundi in Support of Peacekeeping	375	15	131	259
Trust Fund for Support from Governments and Organizations to the DPKO Lessons-Learned Mechanism	300	4 849	2 983	2 166
Trust Fund for the International Commission of Inquiry on the Arms Flows in the Great Lakes Region of Central Africa	405	17	-	422
Trust Fund to Support the Activities of the United Nations Disengagement Observer Force	308	40	255	93
Trust Fund for Assistance to Military Officers on Loan from Governments in Support of Peacekeeping	41	1	42	-
Trust Fund for Improving Preparedness for Conflict Prevention and Peacekeeping in Africa	193	3	196	-
Trust Fund for the United Nations Coordinator in the Occupied Territories	289	12	-	301

Schedule 7.1
(continued)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Trust Fund in Support of the Activities of the Secretary-General's Special Representative to the Great Lakes Region of Central Africa	1 698	133	548	1 283
Trust Fund for the Rapidly Deployable Mission Headquarters	1 028	34	257	805
Trust Fund for Preventive Action	5 574	507	3 009	3 072
Trust Fund for the Consolidation of Peace through Practical Disarmament Measures	129	117	40	206
Trust Fund for the Implementation of the Ottawa Convention on Landmines	968	539	496	1 011
Trust Fund to Support the Peace Process in the Democratic Republic of the Congo	712	116	319	509
Trust Fund to Support the United Nations Interim Administration in Kosovo	350	3 095	1 996	1 449
Trust Fund for Afghanistan	10 281	93	9 848	526
Trust Fund for the Promotion of Social and Economic Development in Afghanistan	100	108	68	140
Trust Fund to Support the Ituri Pacification Commission	168	4	136	36
Trust Fund to Support the "Distinct Entity" created to Provide Security for the United Nations Presence in Iraq	-	13 417	410	13 007
United Nations Democracy Trust Fund	-	41 115	-	41 115
Subtotal - Political affairs	**156 639**	**99 711**	**94 486**	**161 864**
INTERNATIONAL JUSTICE AND LAW				
Trust Fund for the United Nations Programme of Assistance in the Teaching, Study, Dissemination and Wider Appreciation of International Law	636	93	138	591
United Nations Commission on International Trade Law Symposiums	317	93	178	232
Seminar on International Law	78	119	105	92
Trust Fund to Assist States in the Judicial Settlement of Disputes through the International Court of Justice	1 912	278	-	2 190
Trust Fund for the Commission of Experts established pursuant to Security Council resolution 780 (1992)	420	13	433	-
Voluntary Fund for Supporting Developing Countries Participating in the United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks	9	-	9	-
Trust Fund on Voluntary Fund to Grant Travel Assistance to Developing Countries Members of the United Nations Commission on International Trade Law	3	1	1	3
Trust Fund for the International Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda	1 999	2 385	2 442	1 942
Trust Fund for the Least Developed Countries in the Work of the Preparatory Committee on the Establishment of an International Criminal Court and the 1998 Diplomatic Conference of Plenipotentiaries	137	1	138	-
Trust Fund for the Colloquium on the Progressive Development and Codification of International Law	7	-	7	-

Schedule 7.1
(continued)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Trust Fund for the Participation of the Developing Countries in the Work of the Preparatory Committee on the Establishment of an International Criminal Court and in the 1998 Diplomatic Conference of Plenipotentiaries	34	1	35	-
Trust Fund to Assist States in the Settlement of Disputes through the International Tribunal for the Law of the Sea	56	15	-	71
Trust Fund to Assist Developing States in Attending Meetings of the Informal Consultative Process on Oceans and the Law of the Sea	189	10	62	137
Trust Fund to Assist Developing States in the Preparation Submissions to the Commission on the Limits of the Continental Shelf	1 132	204	270	1 066
Trust Fund to Support the Establishment of the International Criminal Court	2 092	26	2 118	-
Trust Fund to Assist Members of the Commission on the Limits of the Continental Shelf from Developing States to Participate in its meetings	126	54	130	50
Trust Fund for the Office of Legal Affairs to Support the Promotion of International Law	-	60	(453)	513
Subtotal - International justice and law	**9 147**	**3 353**	**5 613**	**6 887**
ECONOMIC AND SOCIAL DEVELOPMENT				
Trust Fund for Development Planning and Projections	129	22	(129)	280
United Nations Research Institute for Social Development	4 175	7 803	9 390	2 588
Trust Fund for Aging	252	17	1	268
United Nations Youth Fund	163	243	228	178
Trust Fund for the Financing of the Implementation of the Convention on Long-Range Transboundary Air Pollution	3 135	5 276	5 870	2 541
Trust Fund for the ECE Study on Long-term European Timber Trends and Prospects	93	78	73	98
Trust Fund for ESCWA Regional Activities	1 783	29	1 812	-
United Nations Crime Prevention and Criminal Justice Fund	31 210	69 460	30 013	70 657
United Nations Voluntary Fund on Disability Trust Fund	1 470	961	1 215	1 216
for Statistical Development and Capacity Building	20	520	(116)	656
Trust Fund for INSTRAW	1 099	2 329	2 184	1 244
Trust Fund for the Promotion of a United Nations International Programme for Aging	21	1	22	-
UN/ECE Trust Fund on Human Settlements	466	198	199	465
Programme on Mobilization of Personal Savings in Developing Countries	186	8	194	-
Trust Fund for the Ad Hoc Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting	6	2	-	8
Trust Fund for Research in Regional Cooperation in Asia and in New and Renewable Energy Resources	19	-	19	-
Trust Fund for International Cooperation for Development	2 145	129	830	1 444

Schedule 7.1
(continued)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Trust Fund for the Implementation of the Beijing Declaration and Platform for Action	2 661	1 656	1 726	2 591
Trust Fund for Case Studies on the Functioning of the Operational Activities for Development of the United Nations system	435	195	334	296
Policy Analysis on Transnational Corporations	57	4	4	57
Trust Fund for the Symposiums on the Consequences of Rapid Population Growth and on Human Rights and Population	2	-	2	-
Trust Fund for United Nations Electronic Data Interchange for Administration, Commerce and Transport	76	121	75	122
Trust Fund for the ECE Project Energy Efficiency 2000	70	52	77	45
United Nations Trust Fund on Family Activities	504	21	63	462
Trust Fund for Population and Development	274	7	-	281
Trust Fund for International Economic and Social Research	611	25	592	44
Trust Fund for Assistance to Countries in Transition	699	99	441	357
Trust Fund for the Follow-up to the World Summit for Social Development	1 141	51	57	1 135
Trust Fund for ECE Follow-up Activities of the Fourth World Conference on Women	60	24	59	25
Trust Fund for Environmental Performance Reviews and the "Environment for Europe"	497	435	283	649
Trust Fund for the Global Conference on the Sustainable Development of Small Island Developing States	39	2	41	-
Trust Fund for Supporting ECE Regional Conferences and Meetings, including Preparatory Meetings for Global Conferences	94	5	82	17
Trust Fund for Support of the Work of the Commission on Sustainable Development	3 604	2 790	3 037	3 357
Trust Fund for the Support of the Activities of OSAA to the New Partnership for Africa's Development and Tokyo International Conference on African Development Process	80	523	292	311
Trust Fund for the United Nations Year of Dialogue among Civilizations	78	1 452	55	1 475
Trust Fund for the Fifteenth United Nations Regional Cartographic Conference for Asia and the Pacific	10	1	11	-
Trust Fund to Support Activities for the Follow-up to the International Conference on Financing for Development	1 726	564	1 410	880
Trust Fund for Holding the 24th Special Session of the General Assembly at the United Nations Office at Geneva	79	-	79	-
Global Compact Trust Fund	1 596	4 879	3 839	2 636
Trust Fund of Panel on Financing for Development	123	2	102	23
Trust Fund for the Participation of all States Including Least Developed Countries in Activities Related to the Special Session of the General Assembly on HIV/AIDS	75	2	-	77
Trust Fund in Support of the United Nations Forum on Forests	4 034	1 961	2 689	3 306
Trust Fund in Support of Activities undertaken by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States	307	570	498	379

Schedule 7.1
(continued)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Trust Fund in Support of the United Nations Permanent Forum on Indigenous Issues	15	708	353	370
Trust Fund for the Support of Activities related to the Preparation and Organization of the International Ministerial Meeting of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation and to its follow-up	135	135	154	116
Subtotal - Economic and social development	**65 454**	**103 360**	**68 160**	**100 654**
HUMAN RIGHTS AND HUMANITARIAN AFFAIRS				
African Emergency Trust Fund	1 843	122	1 965	-
Kampuchea Emergency Trust Fund	2 913	20	2 933	-
Afghanistan Emergency Trust Fund	35 538	2 142	20 781	16 899
Emergency Trust Fund for Humanitarian Assistance for Iraq, Kuwait and the Iraq-Turkey and Iraq-Iran Border Areas	413	17	17	413
Trust Fund for the Strengthening of the Office of the Emergency Relief Coordinator	20 745	47 670	45 653	22 762
Committee on the Elimination of Racial Discrimination	405	10	-	415
Programme of the Decade for Action to Combat Racism and Racial Discrimination	1 564	852	1 873	543
United Nations Voluntary Fund for Victims of Torture	1 796	19 098	14 468	6 426
United Nations Voluntary Fund for Indigenous Populations	800	822	713	909
Voluntary Fund for Advisory Services and Technical Assistance in the Field of Human Rights	7 835	20 051	19 344	8 542
Trust Fund for Disaster Relief	70 096	199 859	166 225	103 730
Trust Fund for Disaster Reduction	853	14 633	10 538	4 948
Sasakawa Disaster Prevention Award Endowment Fund	2 201	112	199	2 114[b]
United Nations Trust Fund for Contemporary Forms of Slavery	371	1 190	561	1 000
Trust Fund for Human Rights Education Programme in Cambodia	1 742	797	742	1 797
Cambodia Trust Fund	2 309	89	1 242	1 156
Trust Fund for Humanitarian Relief in Iraq	1 442	361	(50)	1 853
Trust Fund for the Support to the Activities of the Centre for Human Rights	26 898	83 572	77 379	33 091
Trust Fund for Rwanda	518	-	318	200
Voluntary Trust Fund for Assistance in Mine Clearance	54 505	93 359	109 662	38 202
United Nations Voluntary Fund for the International Decade of the World's Indigenous People	408	293	408	293
Trust Fund to Support the International Security Assistance Force in Afghanistan	21	1	1	21
Central Emergency Response Fund	-	41 117	-	41 117
Trust Fund for Tsunami Disaster Relief	-	84 737	20 212	64 525

Schedule 7.1
(continued)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Subtotal - Human rights and humanitarian affairs	**235 216**	**610 924**	**495 184**	**350 956**
PUBLIC INFORMATION				
Trust Fund for Economic and Social Information	977	769	693	1 053
Trust Fund for the Oral History of the United Nations	2	-	2	-
Trust Fund for Public Awareness on Disarmament Issues	1 219	61	86	1 194[b]
Development Forum Trust Fund	2 665	2 592	2 345	2 912
Trust Fund for Expanding Public Information Activities in Japan	49	197	223	23
Trust Fund for Information Support for African Economic Recovery and Development	248	24	36	236
Trust Fund for Jointly Financed Information Projects	149	95	79	165
United Nations Trust Fund for Education and Communication	2 931	128	1 149	1 910
Trust Fund to Support Public Information and Related Efforts in United Nations Peacekeeping Operations	10	-	-	10
Subtotal - Public information	**8 250**	**3 866**	**4 613**	**7 503**
COMMON SUPPORT AND MISCELLANEOUS				
Trust Fund for Chernobyl	618	8	499	127
Trust Fund for Assistance in the Training of United Nations Staff in the French Language	68	5	44	29
Meditation Room Gifts from New York City	10	-	(2)	12
Sculpture in Memory of Dag Hammarskjöld, Grant by Blaustein Foundation	16	1	-	17
Trust Fund for German Language Translation	1 462	1 870	2 896	436
Library Endowment Fund	1 935	393	197	2 131[a]
Personal and Real Property Willed to the United Nations	5 170	476	196	5 450
Hamish Brown Fellowship Fund	-	3	-	3
The Special (Ralph Bunche) Account for the Secretary-General for Purposes Related to Peace and Security	233	9	-	242
United Nations Philatelic Museum	4	-	-	4
Trust Fund for Gilberto Amado Memorial Lecture	10	-	4	6
Trust Fund for the Restoration and Maintenance of the Peace Bell	22	11	3	30
Trust Fund for Staff Health Promotion	21	28	17	32
Trust Fund for the Assistance with Field Mission Transport Management	45	2	-	47
Secretariat News Trust Fund	129	6	4	131
Trust Fund for Activities related to Administrative and Budgetary Aspects of Peacekeeping Operations	1	-	-	1
Trust Fund for the Ad Hoc Intergovernmental Group of Experts in the Legal and Financial Field	9	-	-	9

Schedule 7.I
(concluded)

United Nations general trust funds
Schedule of income, expenditure and reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Reserves and fund balances beginning of period	Income	Expenditure and other adjustments[a]	Reserves and fund balances end of period
Trust Fund on Cooperation between the United Nations and Switzerland in the Field of Archives	1	-	1	-
Trust Fund for the Special Projects of the Secretary-General	382	101	27	456
Trust Fund for the Financing of a United Nations International Conference on Medical Support for Peacekeeping Operations	10	-	10	-
Trust Fund for United Nations Reform	46	1 220	(68)	1 334
Sheikh Ashmawi Trust Fund	4	-	3	1
Trust Fund for Security of Staff Members of the United Nations System	4 090	513	2 538	2 065
Trust Fund for Human Security	158 645	58 058	61 822	154 881
Trust Fund for the Millennium Assembly and the Millennium Summit of the United Nations	275	10	73	212
United Nations Trust Fund for Enhancing Professional Capacity in Internal Oversight Functions	152	29	156	25
Trust Fund for Headquarters Refurbishment of Auditorium	125	5	35	95
Trust Fund for the Development of Policies in Support of Management Reform in the Secretariat	9	-	6	3
Trust Fund to Support Programmes on HIV/AIDS and Peacekeeping	239	347	335	251
Trust Fund to Strengthen the Organization's Integrity Infrastructure	674	26	258	442
Trust Fund for the International Year of Sport and Physical Education 2005	-	636	471	165
Subtotal - Common support and miscellaneous	**174 405**	**63 757**	**69 525**	**158 637**
United Nations Fund for International Partnership	19 830	239 528	246 221	13 137
Total (statement VII)	**19 830**	**239 528**	**983 802**	**809 638**

[a] Represents:

Expenditure	928 447
Prior periods' adjustments	334
Transfers to (from) other funds	7 934
Transfers to (from) other organizations	10 487
Refunds to donors	36 600
Total	983 802

[b] Includes permanent endowment of $2,000,000.
[c] Includes permanent endowment of $1,000,000.
[d] Includes permanent endowment of $1,049,588.

Statement VIII

United Nations Tax Equalization Fund[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	United States of America	Other Member States	Total 2005	Total 2003[b]
Income				
Staff assessment receipts from:				
United Nations Regular Budget[c]	95 476	338 505	433 981	389 459
Peacekeeping operations	56 621	156 427	213 048	173 464
International tribunals[d]	15 018	46 804	61 822	54 824
Total income	**167 115**	**541 736**	**708 851**	**617 747**
Expenditure				
Estimated reimbursements to staff members subject to United States income taxes for tax years 2004 and 2005				
Federal income taxes	69 149	-	69 149	71 000
State income taxes	22 800	-	22 800	20 500
City income taxes	8 450	-	8 450	6 000
Social Security taxes	17 300	-	17 300	15 500
Subtotal	**117 699**	**-**	**117 699**	**113 000**
Credits given to other Member States for:				
United Nations regular budget	-	336 979	336 979	297 272
Peacekeeping operations	-	166 688	166 688	118 700
International Tribunals[e]	-	47 146	47 146	34 401
Subtotal	**-**	**550 813**	**550 813**	**450 373**
Staff costs and others	1 181	-	1 181	1 085
Total expenditure	**118 880**	**550 813**	**669 693**	**564 458**
Excess (shortfall) of income over expenditure	**48 235**	**(9 077)**	**39 158**	**53 289**
Prior period adjustments	(5 379)[f]	-	(5 379)	(4 453)
Net excess (shortfall) of income over expenditure	**42 856**	**(9 077)**	**33 779**	**48 836**
Savings on or cancellation of prior period obligations	3 603	-	3 603	5 716
Other adjustments to fund balances	-	(4 381)[g]	(4 381)	6 450
Reserves and fund balances, beginning of period	50 837	25 431	76 268	15 266
Reserves and fund balances, end of period	**97 296**	**11 973**	**109 269**	**76 268**

Statement VIII
(concluded)

United Nations Tax Equalization Fund[a]

Statement of assets, liabilities and reserves and fund balances
as at 31 December 2005
(Thousands of United States dollars)

	United States of America	Other Member States	Total 2005	Total 2003[b]
Assets				
Outstanding estimated tax advances	40 373	-	40 373	34 421
Due from United Nations General Fund	111 783	11 838	123 621	93 705
Other accounts receivable	4 483	135[c]	4 618	7 853
Deferred charges	-	-	-	4
Total assets	**156 639**	**11 973**	**168 612**	**135 983**
Liabilities				
Unliquidated obligations - current period	59 337	-	59 337	59 712
Other accounts payable	6	-	6	3
Total liabilities	**59 343**	**-**	**59 343**	**59 715**
Reserves and fund balances				
Cumulative surplus	97 296	11 973	109 269	76 268
Total reserves and fund balances	**97 296**	**11 973**	**109 269**	**76 268**
Total liabilities and reserves and fund balances	**156 639**	**11 973**	**168 612**	**135 983**

[a] See note 8.
[b] Comparative figures have been reclassified to conform to current presentation.
[c] The actual revenue from staff assessment for 2004 and 2005 under section 34 of the United Nations regular budget amounted to $430,302,750. Credits derived from revenue-producing activities of $3,677,680 increased total income to $433,980,430.
[d] Represents staff assessment income of $36,012,618 and $25,809,328 respectively from the International Tribunal for the Former Yugoslavia and the International Tribunal for Rwanda.
[e] Represents credits of $28,575,209 and $18,570,293 respectively against the assessments for the International Tribunal for the former Yugoslavia and the International Tribunal for Rwanda.
[f] Represents claims reimbursed for prior tax years of $4,417,228, accounting adjustments of $684,051 and write-offs of $277,900.
[g] Represents adjustments of staff assessment credits to Member States from unencumbered balances of peacekeeping missions.
[h] Represents $33,251 and $101,468 to be charged against the credits of Eritrea and Turkey respectively for 2006 and 2007.

The accompanying notes are an integral part of the financial statements.

Statement IX

United Nations capital assets and construction in progress[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Capital Assets Fund	Construction in progress						*Total 2005*	*Total 2003*[b]
		Capital master plan	Security measures	UNON	ECA	ECLAC	Other		
Income									
Assessed contributions	-	17 802	-	-	-	-	-	17 802	25 500
Allocations from other funds	-	-	64 958[c]	2 459	-	-	-	67 417	42 544
Interest income	-	744	-	157	-	-	320	1 221	1 272
Other/miscellaneous income	-	-	55	4 389[d]	-	-	-	4 444	-
Total income	**-**	**18 546**	**65 013**	**7 005**	**-**	**-**	**320**	**90 884**	**69 316**
Expenditure (Schedule 9.1)									
Total expenditure	-	21 349	46 145	915	524	418	-	**69 351**	**15 835**
Excess (shortfall) of income over expenditure	-	(2 803)	18 868	6 090	(524)	(418)	320	**21 533**	**53 481**
Savings on or cancellation of prior periods' obligations	-	13	1 336	-	-	-	-	1 349	6
Transfer to construction in progress[e]	-	21 336	44 809	915	524	418	-	68 002	15 835
Other adjustments to reserves and fund balances	-	(6)	-	-	-	-	-	(6)	-
Reserves and fund balances, beginning of period	437 897	34 126	42 544	74	-	-	9 379	524 020	454 698
Reserves and fund balances, end of period	**437 897**	**52 666**	**107 557**	**7 079**	**-**	**-**	**9 699**	**614 898**	**524 020**

United Nations capital assets and construction in progress[a]
Statement of assets, liabilities and reserves and fund balances
as at 31 December 2005
(Thousands of United States dollars)

	Capital Assets Fund	Construction in progress						*Total 2005*	*Total 2003*[b]
		Capital master plan	Security measures	UNON	ECA	ECLAC	Other		
Assets									
Cash and term deposits	-	28	-	-	-	-	51	79	835
Cash pool[c]	-	18 302	-	-	-	-	16 648	34 950	26 457
Assessed contributions receivable from Member States	-	10 197	-	-	-	-	-	10 197	7 046
Inter-fund balances receivable	-	5 832	66 524	6 455	-	-	-	78 811	41 888
Other accounts receivable	-	-	84	-	-	-	-	84	1
Deferred charges	-	4 619	1 843	-	-	-	-	6 462	30
Land and buildings	437 897	-	-	-	-	-	-	437 897	437 897
Construction in progress (Schedule 9.1)	-	32 517	55 682	1 027	750	736	-	90 712	22 716
Total assets	**437 897**	**71 495**	**124 133**	**7 482**	**750**	**736**	**16 699**	**659 192**	**536 870**
Liabilities									
Contributions or payments received in advance	-	5 698	-	-	-	-	-	5 698	2
Unliquidated obligations - prior period	-	15	2 175	-	-	-	-	2 190	2
Unliquidated obligations - current period	-	6 293	10 568	345	5	-	-	17 211	9 252
Unliquidated obligations - future period	-	4 619	1 843	-	-	-	-	6 462	-
Inter-fund balances payable	-	-	-	-	588	736	7 000	8 324	1 999
Other accounts payable	-	2 204	1 990	58[d]	157	-	-	4 409	1 595
Total liabilities	**-**	**18 829**	**16 576**	**403**	**750**	**736**	**7 000**	**44 294**	**12 850**
Reserves and fund balances									
Donated funds	20 222	-	-	-	-	-	-	20 222	20 222

	Capital Assets Fund	Capital master plan	Security measures	UNON	ECA	ECLAC	Other	*Total 2005*	*Total 2003*[a]
Regular budget appropriations	417 675	-	-	-	-	-	-	417 675	417 675
Cumulative surplus	-	52 666	107 557	7 079	-	-	9 699	177 001	86 123
Total reserves and fund balances	**437 897**	**52 666**	**107 557**	**7 079**	**-**	**-**	**9 699**	**614 898**	**524 020**
Total liabilities and reserves and fund balances	**437 897**	**71 495**	**124 133**	**7 482**	**750**	**736**	**16 699**	**659 192**	**536 870**

[a] See note 9.
[b] Comparative figures have been reclassified to conform to current presentation.
[c] Represents transfer of funds from section 33 of the regular budget for strengthening of security and from safety and security in the United Nations Office at Vienna.
[d] Effective 1 January 2004, rental income from the United Nations Office at Nairobi Gigiri complex is utilized to finance construction at the United Nations Office at Nairobi.
[e] Pending the completion of projects, all expenditures incurred net of savings on or cancellation of prior periods' obligations are transferred to the construction in progress account in the statement of assets, liabilities and reserves and fund balances.
[f] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $5,445,736, short-term investments of $15,936,709 (market value $15,936,709), long-term investments of $13,348,692 (market value $13,176,797) and accrued interest receivable of $218,035.
[g] Represents the balance of interest on the loan from UNEP.

The accompanying notes are an integral part of the financial statements.

Schedule 9.1

United Nations construction in progress
Schedule of construction-in-progress expenditures
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Total prior periods' expenditure[a]	Expenditure and adjustments during 2004-2005	Cumulative expenditure up to 31 Dec. 2005
Part I. Capital master plan			
Staff and other personnel costs	2 200	4 118	6 318
Travel	58	5	63
Contractual services	8 394	16 170	24 564
Operating expenses	293	1 027	1 320
Acquisitions	242	29	271
Other	-	-	-
Total expenditure	11 187	21 349	32 536
Savings on or cancellation of prior periods' obligations in 2004-2005 biennium	-	(13)	(13)
	11 187	21 336	32 523
Savings on or cancellation of prior period obligations in 2002-2003 biennium	-	(6)	(6)
Total	11 187	21 330	32 517
Part II. Security measures			
Staff and other personnel costs	-	-	-
Travel	-	13	13
Contractual services	-	-	-
Operating expenses	-	-	-
Acquisitions	4 247	46 132	50 379
Other	6 626	-	6 626
Total expenditure	10 873	46 145	57 018
Savings on or cancellation of prior period obligations in 2004-2005 biennium	-	(1 336)	(1 336)
Total	10 873	44 809	55 682
Part III. UNON			
Staff and other personnel costs	-	48	48
Travel	-	27	27
Contractual services	-	789	789
Operating expenses	-	-	-
Acquisitions	-	-	-
Other	112	51	163
Total	112	915	1 027
Part IV. ECA			
Staff and other personnel costs	64	486	550
Travel	-	-	-
Contractual services	162	-	162
Operating expenses	-	-	-
Acquisitions	-	38	38
Other	-	-	-
Total	226	524	750
Part V. ECLAC			
Staff and other personnel costs	22	(1)	21
Travel	-	-	-
Contractual services	41	17	58
Operating expenses	-	-	-
Acquisitions	255	402	657
Other	-	-	-
Total	318	418	736

[a] Reclassified to conform to current presentation.

Statement X

Other special funds[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	United Nations funds held in trust[b]	Programme support costs[c]	Common support services[d]	United Nations jointly financed activities[e]	United Nations Central Emergency Revolving Fund	Special multi-year account for supplementary development activities	Others[f]	Total 2005	Total 2003[g]
Income									
Voluntary contributions	-	-	-	5 423	30	-	39	5 492	5 796
Funds received under inter-organizational arrangements	-	-	168	142 147	-	-	-	142 315	84 413
Allocations from other funds	10 400	-	51 377	79 208	-	13 065	-	154 050	122 604
Income from services rendered	-	168 051	13 184	-	-	-	-	181 235	156 427
Interest income	13 770	4 642	152	300	1 722	-	233	20 819	26 480
Contributions from staff and the United Nations	125 201	-	-	-	-	-	-	125 201	97 653
Other/miscellaneous income	7 241	1 431	2 662	155	-	25	3 079	14 593	33 212
Total income	**156 612**	**174 124**	**67 543**	**227 233**	**1 752**	**13 090**	**3 351**	**643 705**	**526 585**
Expenditure									
Staff and other personnel costs	2 672	116 516	3 172	149 215	-	4 719	-	276 294	219 999
Travel	-	3 189	49	6 928	-	1 571	-	11 737	9 998
Contractual services	-	3 313	2 029	26 092	-	1 562	-	32 996	28 215
Operating expenses	3 989	11 933	61 473	13 647	-	280	-	91 322	83 631
Acquisitions	-	2 302	215	26 462	-	286	-	29 265	8 999
Insurance premium rebate	-	-	-	-	-	-	-	-	6 580
Claim reimbursements	111 889	-	-	-	-	-	-	111 889	85 534
Deficit premiums	9 846	-	-	-	-	-	-	9 846	1 500
Other	502	8 033	-	5 673	-	3 280	167	17 655	11 758
Total Expenditure	**128 898**	**145 286**	**66 938**	**228 017**	**-**	**11 698**	**167**	**581 004**	**456 214**
Excess (shortfall) of income over expenditure	**27 714**	**28 838**	**605**	**(784)**	**1 752**	**1 392**	**3 184**	**62 701**	**70 371**
Prior period adjustments	1 336	(14)	-	-	(432)	-	-	890	(673)
Net excess (shortfall) of income over expenditure	**29 050**	**28 824**	**605**	**(784)**	**1 320**	**1 392**	**3 184**	**63 591**	**69 698**
Savings on or cancellation of prior period obligations	-	-	1 094	1 368	-	2 264	-	4 726	2 483
Transfer (to) from other funds	-	1 355	-	-	-	-	-	1 355	(237)
Other adjustments to reserves and fund balances	8 186	-	-	-	-	(1)	-	8 185	3 007
Reserves and fund balances beginning of period	290 290	102 951	18 419	3 657	65 612	9 510	54 007	544 446	469 495
Reserves and fund balances, end of period	**327 526**	**133 130**	**20 118**	**4 241**	**66 932**	**13 165**	**57 191**	**622 303**	**544 446**

Statement X
(concluded)

Other special funds[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005
(Thousands of United States dollars)

	United Nations funds held in trust[b]	Programme support costs[c]	Common support services[d]	United Nations jointly financed activities[e]	United Nations Central Emergency Revolving Fund	Special multi-year account for supplementary development	Others[f]	Total 2005	Total 2003[g]
Assets									
Cash and term deposits	30 837	33 139	-	7 764	48	-	29	71 817	68 508
Short-term investments	2 675	-	-	-	-	-	-	2 675	2 807
Long-term investments	46 767	-	-	-	-	-	-	46 767	36 295
OAH cash pool	-	10 782	-	-	-	-	-	10 782	5 222
Cash pool[h]	223 866	93 079	-	-	76 012	-	6 987	399 944	338 221
Assessed contributions receivable from Member States	-	-	-	-	-	-	6 100	6 100	6 118
Voluntary contributions receivable	-	-	-	-	-	-	-	-	20
Inter-fund balances receivable	17 604	2 491	24 051	8 127	-	16 630	177	69 080	55 776
Other accounts receivable	6 675	6 301	258	15 920	31 989	135	44 048	105 326	67 324
Deferred charges	-	-	43	981	-	-	-	1 024	134
Other assets	-	255	-	-	-	-	-	255	71
Total assets	**328 424**	**146 047**	**24 352**	**32 792**	**108 049**	**16 765**	**57 341**	**713 770**	**580 496**
Liabilities									
Contributions or payments received in advance	-	-	-	-	-	-	23	23	28
Unliquidated obligations - prior period	-	-	12	-	-	-	-	12	453
Unliquidated obligations - current period	132	3 856	2 487	11 603	-	3 154	30	21 292	17 001
Inter-fund balances payable	-	8 263	-	37	41 117	-	97	49 514	9 543
Other accounts payable	766	694	1 735	16 411	-	446	-	20 052	8 586
Other liabilities	-	74	-	500	-	-	-	574	439
Total liabilities	**898**	**12 917**	**4 234**	**28 551**	**41 117**	**3 600**	**150**	**91 467**	**36 050**
Reserves and fund balances									
Operating reserves	68 030	18 259	6 635	789	-	-	-	93 713	66 729

	United Nations funds held in trust[b]	Programme support costs[c]	Common support services[d]	United Nations jointly financed activities[e]	United Nations Central Emergency Revolving Fund	Special multi-year account for supplementary development	Others[f]	Total 2005	Total 2003[g]
Fund principal from contributions	-	-	-	-	49 482	-	-	49 482	49 462
Cumulative surplus (deficit)	259 496	114 871	13 483	3 452	17 450	13 165	57 191	479 108	428 255
Total reserves and fund balances	**327 526**	**133 130**	**20 118**	**4 241**	**66 932**	**13 165**	**57 191**	**622 303**	**544 446**
Total liabilities and reserves and fund balances	**328 424**	**146 047**	**24 352**	**32 792**	**108 049**	**16 765**	**57 341**	**713 770**	**580 496**

[a] See note 10.

[b] Refer to schedule 10.1 which comprises accounts for rate stabilization reserves for Blue Cross, Aetna, Cigna and Van Breda; United Nations staff life insurance reserves; after-service life insurance coverage; medical insurance plan for field local staff; special account for compensation awards; repatriation grant reserve; self-insurance reserve fund for Headquarters general liabilities; Geneva staff mutual insurance society against sickness and accident; and Joint Inspection Unit provident fund.

[c] Refer to schedule 10.2 which comprises special accounts for support of technical cooperation activities; support of extrabudgetary administrative structures; support of extrabudgetary substantive activities; support of humanitarian activities and support of the United Nations Fund for International Partnership.

[d] Refer to schedule 10.3 which comprises special account for Integrated Management Information Systems (IMIS); special account for Information Technology and Telecommunications Services Costs at Headquarters; special account for common services; special account for travel services and special account for rented premises.

[e] Refer to schedule 10.4 which comprises accounts for the International Civil Service Commission; Joint Inspection Unit; United Nations System Chief Executives Board for Coordination secretariat; Safety and Security at Headquarters; Safety and Security (United Nations Office at Vienna); Conference Services (United Nations Office at Vienna); Malicious Acts Insurance Policy; Dag Hammarskjöld Library Consortium and United Nations System Staff College.

[f] Refer to schedule 10.5 which comprises accounts for the Nobel Peace Prize Memorial Fund; special awards; the United Nations Mission in East Timor and the special account for the sale of United Nations bonds.

[g] Comparative figures have been reclassified to conform to current presentation.

[h] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $62,318,701; short-term investments of $182,372,977 (market value $182,372,977); long-term investments of $152,756,800 (market value $150,789,706) and accrued interest receivable of $2,495,106.

The accompanying notes are an integral part of the financial statements.

United Nations funds held in trust[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Rate stabilization reserves for Blue Cross, Aetna, Cigna and Van Breda[b]	United Nations staff life insurance reserves[b]	After-service life insurance coverage	Medical insurance plan for field local staff	Compensation awards	Repatriation grant reserve	Self-insurance reserve fund for Headquarters general liabilities	Geneva staff mutual insurance society against sickness and accident	Joint Inspection Unit Provident Fund	**Total 2005**	**Total 2003**
Income											
Contributions from staff and the United Nations	-	-	-	17 253	8 821	-	-	99 127	-	125 201	97 653
Insurance rebates	3 398	-	-	-	-	-	-	-	-	3 398	2 692
Interest income	4 137	391	55	1 229	2 395	-	187	5 372	4	13 770	15 722
Allocations from other funds	-	-	-	-	10 000	-	400	-	-	10 400	400
Repatriation grant accruals	-	-	-	-	-	3 287	-	-	-	3 287	-
Other/miscellaneous income	280	-	-	-	2	274	-	-	-	556	19 671
Total income	**7 815**	**391**	**55**	**18 482**	**21 218**	**3 561**	**587**	**104 499**	**4**	**156 612**	**136 138**
Expenditure											
Staff and other personnel costs	-	-	-	-	-	-	-	2 620	52	2 672	2 131
Repatriation grant payments	-	-	-	-	-	502	-	-	-	502	-
Operating expenses	148	2	1	4	3	-	2	3 828[c]	1	3 989	456
Insurance premium rebate	-	-	-	-	-	-	-	-	-	-	6 580
Claim reimbursements	45	-	-	11 501	2 128	-	26	98 189	-	111 889	85 534
Deficit premiums	1 138	1 422	-	-	7 286	-	-	-	-	9 846	1 500
Total expenditure	**1 331**	**1 424**	**1**	**11 505**	**9 417**	**502**	**28**	**104 637**	**53**	**128 898**	**96 201**
Excess (shortfall) of income over expenditure	**6 484**	**(1 033)**	**54**	**6 977**	**11 801**	**3 059**	**559**	**(138)**	**(49)**	**27 714**	**39 937**
Prior period adjustments	-	-	-	1 336[d]	-	-	-	-	-	1 336	(26)
Net excess (shortfall) of income over expenditure	**6 484**	**(1 033)**	**54**	**8 313**	**11 801**	**3 059**	**559**	**(138)**	**(49)**	**29 050**	**39 911**
Other adjustments to reserves and fund balances	-	858[e]	-	-	-	7 328[f]	-	-	-	8 186	(631)
Reserves and fund balances, beginning of period	101 698	13 854	1 383	28 198	58 225	-	4 607	82 212	113	290 290	251 010
Reserves and fund balances, end of period	**108 182**	**13 679**	**1 437**	**36 511**	**70 026**	**10 387**	**5 166**	**82 074**	**64**	**327 526**	**290 290**

Schedule 10.1 (concluded)

United Nations funds held in trust[1]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Rate stabilization reserves for Blue Cross, Aetna, Cigna and Van Breda	United Nations staff life insurance reserves	After service life insurance coverage	Medical insurance plan for field local staff	Compensation awards	Repatriation grant reserve	Self-Insurance Reserve Fund for Headquarters general liabilities	Geneva staff mutual insurance society against sickness and accident	Joint Inspection Unit Provident Fund	**Total 2005**	**Total 2003**
Assets											
Cash and term deposits	117	47	17	36	3	-	39	30 514	64	30 837	45 182
Short-term investments	-	-	-	-	-	-	-	2 675[a]	-	2 675	2 807
Long-term investments	-	-	-	-	-	-	-	46 767[a]	-	46 767	36 295
Cash pool[b]	107 766	8 935	1 420	35 833	64 985	-	4 927	-	-	223 866	200 673
Inter-fund balances receivable	19	-	-	554	4 881	11 144	200	806	-	17 604	2 574
Other accounts receivable	280	4 697	-	90	157	-	-	1 450	1	6 675	6 120
Total assets	**108 182**	**13 679**	**1 437**	**36 513**	**70 026**	**11 144**	**5 166**	**82 212**	**65**	**328 424**	**293 651**
Liabilities											
Unliquidated obligations - current period	-	-	-	-	-	-	-	132	-	132	-
Interfund balances payable	-	-	-	-	-	-	-	-	-	-	3 247
Other accounts payable	-	-	-	2	-	757	-	6	1	766	114
Total liabilities	-	-	-	**2**	-	**757**	-	**138**	**1**	**898**	**3 361**
Reserves and fund balances											
Operating reserves	-	3 297	-	-	-	-	-	64 733	-	68 030	45 150
Cumulative surplus (deficit)	108 182	10 382	1 437	36 511	70 026	10 387	5 166	17 341	64	259 496	245 140
Total reserves and fund balances	**108 182**	**13 679**	**1 437**	**36 511**	**70 026**	**10 387**	**5 166**	**82 074**	**64**	**327 526**	**290 290**
Total liabilities and reserves and fund balances	**108 182**	**13 679**	**1 437**	**36 513**	**70 026**	**11 144**	**5 166**	**82 212**	**65**	**328 424**	**293 651**

[a] See note 10.1.

[b] Excludes premiums collected and amounts paid to the insurance carriers during the financial period.

[c] Includes loss on exchange of $3,373,400.

[d] Represents prior year contributions previously recorded as payables.

[e] Represents change in reserves held by Aetna.

[f] Represents transfer of accruals for repatriation grant previously carried under technical cooperation trust funds, also see note 10.1 (c).

[g] The market value of short-term investments is $2,695,924, and the market value of long-term investments is $49,640,443.

[h] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $34,882,429, short-term investments of $102,081,916 (market value $102,081,916), long-term investments of $85,504,481 (market value $84,403,415) and accrued interest receivable of $1,396,618.

The accompanying notes are an integral part of the financial statements.

Schedule 10.2

Special accounts for programme support costs[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Support of technical cooperation activities[b]	Support of extrabudgetary administrative structures	Support of extrabudgetary substantive activities	Support of humanitarian activities	Support of United Nations Fund for International Partnerships	All funds eliminations	**Total 2005**	**Total 2003**[c]
Income								
Income for services rendered to:								
UNDP/UNFPA/UNOPS	2 065	16 791	-	-	-	-	18 856	18 375
UNFIP	-	-	-	-	2 975	-	2 975	4 889
Technical cooperation trust funds	21 585	1 130	-	-	-	(1 130)	21 585	16 976
Associated agency projects	1 884	-	-	-	-	-	1 884	1 615
General trust funds[c]	241	20 645	14 843	26 924	-	(7 737)	54 916	35 502
ITC	-	1 548	-	-	-	-	1 548	1 569
UNEP - Geneva	-	3 145	-	-	-	-	3 145	2 302
UNHCR	-	5 239	-	-	-	-	5 239	8 400
UNEP/UN-Habitat and others	-	37 525	-	-	-	-	37 525	33 644
UNICEF	-	10 160	-	-	-	-	10 160	8 935
Other sources	637	9 124	457	-	-	-	10 218	8 692
Interest income	1 493	1 736	896	463	54	-	4 642	6 732
Other/miscellaneous income	760	431	71	61	108	-	1 431	3 265
Total income	28 665	107 474	16 267	27 448	3 137	(8 867)	174 124	150 896
Expenditure								
Staff and other personnel costs	17 566	76 089	10 642	16 169	3 980	(7 930)	116 516	101 130
Travel	767	1 981	201	-	240	-	3 189	2 378
Contractual services	281	2 335	498	111	88	-	3 313	5 536
Operating expenses	1 249	9 410	240	177	857	-	11 933	6 648
Acquisitions	289	1 852	6	98	57	-	2 302	3 334
Other	3 495	4 814	531	125	5	(937)	8 033	4 626
Total expenditure	23 647	96 481	12 118	16 680	5 227	(8 867)	145 286	123 652
Excess (shortfall) of income over expenditure	5 018	10 993	4 149	10 768	(2 090)	-	28 838	27 244
Prior period adjustments	2	562	(107)	(471)	-	-	(14)	(571)
Net excess (shortfall) of income over expenditure	5 020	11 555	4 042	10 297	(2 090)	-	28 824	26 673
Transfer (to) from other funds	13	-	17	-	1 325[d]	-	1 355	(237)
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	(1 218)
Reserves and fund balances, beginning of period	33 731	39 800	20 595	6 868	1 957	-	102 951	77 733
Reserves and fund balances, end of period	38 764	51 355	24 654	17 165	1 192	-	133 130	102 951

Schedule 10.2 (concluded)

Special accounts for programme support costs[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Support of technical cooperation activities	Support of extrabudgetary administrative structures	Support of extrabudgetary substantive activities	Support of humanitarian activities	Support of United Nations Fund for International Partnerships	All funds eliminations	Total 2005	Total 2003[b]
Assets								
Cash and term deposits	5 794	14 211	9	13 124	1	-	33 139	17 577
OAH cash pool[c]	7 420	3 362	-	-	-	-	10 782	5 222
Cash pool[d]	26 763	33 744	26 247	5 140	1 185	-	93 079	72 068
Inter-fund balances receivable	168	625	1 249	449	-	-	2 491	9 099
Other accounts receivable	386	5 184	298	231	202	-	6 301	4 901
Other assets	39	175	24	17	-	-	255	71
Total assets	40 570	57 301	27 827	18 961	1 388	-	146 047	108 938
Liabilities								
Unliquidated obligations - current period	440	2 981	326	28	111	-	3 886	3 532
Inter-fund balances payable	1 296	2 339	2 802	1 764	62	-	8 263	1 172
Other accounts payable	3	619	45	4	23	-	694	1 017
Other liabilities	67	7	-	-	-	-	74	266
Total liabilities	1 806	5 946	3 173	1 796	196	-	12 917	5 987
Reserves and fund balances								
Operating reserves	3 298	8 138	3 000	3 343	480	-	18 259	15 661
Cumulative surplus (deficit)	35 466	43 217	21 654	13 822	712	-	114 871	87 290
Total reserves and fund balances	**38 764**	**51 355**	**24 654**	**17 165**	**1 192**	**-**	**133 130**	**102 951**
Total liabilities and reserves and fund balances	**40 570**	**57 301**	**27 827**	**18 961**	**1 388**	**-**	**146 047**	**108 938**

[a] See note 10 (2).

[b] Effective 1 January 2004 excludes programme support cost accounts of UN-Habitat in support of technical cooperation activities, as these are reported on in the financial statements for the United Nations Human Settlements Programme. Comparative amounts have been restated accordingly.

[c] Income is calculated as a percentage of programme resources expended, except for allocations. For these, effective 1 January 2004, income is calculated as a percentage of the allocation, rather than of expenditures.

[d] Represents transfer from United Nations Fund for International Partnership.

[e] Represents share of the United Nations Offices away from Headquarters cash pool and comprises cash and term deposits of $7,018,940, short-term investments of $3,729,762 (market value $3,729,762) and accrued interest receivable of $33,723.

[f] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $14,503,478, short-term investments of $42,443,798 (market value $42,443,798), long-term investments of $35,551,204 (market value $35,093,401) and accrued interest receivable of $550,688.

The accompanying notes are an integral part of the financial statements.

Common support services[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	IMIS	Information technology and telecommuications	Common services	Travel services	Rented premises	Total 2005	Total 2003
Income							
Funds received under inter-organization arrangements	-	-	168	-	-	168	480
Allocations from other funds	-	9 923	-	-	41 454	51 377	54 917
Income from services rendered	-	13 184	-	-	-	13 184	15 528
Rental and maintenance	-	-	-	-	1 768	1 768	3 509
Rebates	-	-	-	893	-	893	2 089
Interest income	152	-	-	-	-	152	550
Other/miscellaneous income	-	1	-	-	-	1	-
Total income	**152**	**23 108**	**168**	**893**	**43 222**	**67 543**	**77 073**
Expenditure							
Staff and other personnel costs	1 069	2 103	-	-	-	3 172	4 422
Travel	-	49	-	-	-	49	23
Contractual services	427	-	212	1 390	-	2 029	4 387
Operating expenses	-	18 998	-	-	42 475	61 473	65 234
Acquisitions	85	130	-	-	-	215	531
Total expenditure	**1 581**	**21 280**	**212**	**1 390**	**42 475**	**66 938**	**74 597**
Excess (shortfall) of income over expenditure	**(1 429)**	**1 828**	**(44)**	**(497)**	**747**	**605**	**2 476**
Prior period adjustments	-	-	-	-	-	-	(26)
Net excess (shortfall) of income over expenditure	**(1 429)**	**1 828**	**(44)**	**(497)**	**747**	**605**	**2 450**
Savings on or cancellation of prior period obligations	24	663	62	-	345	1 094	1 064
Reserves and fund balances, beginning of period	4 248	8 416	570	671	4 514	18 419	14 905
Reserves and fund balances, end of period	**2 843**	**10 907**	**588**	**174**	**5 606**	**20 118**	**18 419**

Schedule 10.3
(concluded)

Common support services*
Statement of assets, liabilities and reserves and fund balances as at 31 December 2005
(Thousands of United States dollars)

	IMIS	Information technology and telecommuications	Common services	Travel services	Rented premises	**Total 2005**	**Total 2003**
Assets							
Inter-fund balances receivable	2 852	14 664	716	174	5 645	24 051	23 976
Accounts receivable	3	176	-	-	79	258	325
Deferred charges	-	43	-	-	-	43	14
Total assets	**2 855**	**14 883**	**716**	**174**	**5 724**	**24 352**	**24 315**
Liabilities							
Unliquidated obligations - prior period	12	-	-	-	-	12	2
Unliquidated obligations - current period	-	2 305	128	-	54	2 487	4 529
Other accounts payable	-	1 671	-	-	64	1 735	1 281
Deferred income	-	-	-	-	-	-	84
Total liabilities	**12**	**3 976**	**128**	**-**	**118**	**4 234**	**5 896**
Reserves and fund balances							
Operating reserves	-	2 000	-	135	4 500	6 635	5 650
Cumulative surplus	2 843	8 907	588	39	1 106	13 483	12 769
Total reserves and fund balances	**2 843**	**10 907**	**588**	**174**	**5 606**	**20 118**	**18 419**
Total liabilities and reserves and fund balances	**2 855**	**14 883**	**716**	**174**	**5 724**	**24 352**	**24 315**

* See note 10.3

The accompanying notes are an integral part of the financial statements.

Schedule 10.4

United Nations jointly financed activities[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	International Civil Service Commission	Joint Inspection Unit	CEB secretariat	Safety and Security UNHQ	Safety and Security UNOV	Conference and administrative services UNOV	Malicious Acts Insurance Policy	DHL Consortium	United Nations System Staff College	*Total 2005*	*Total 2003*[b]
Income											
Voluntary contributions	-	-	-	-	-	-	-	-	5 423	5 423	5 221
Allocations from other funds[c]	5 003	3 198	1 783	20 720	5 882	38 642	1 812	1 605	563	79 208	54 222
Contributions from participating agencies	8 268	6 906	3 159	65 816	23 187	11 296	16 131	1 401	5 983	142 147	83 933
Interest income	-	-	-	-	-	-	-	-	300	300	241
Other/miscellaneous income	1	115	30	1	-	-	-	-	8	155	1 131
Total income	**13 272**	**10 219**	**4 972**	**86 537**	**29 069**[d]	**49 938**[e]	**17 943**	**3 006**	**12 277**	**227 233**	**144 748**
Expenditure											
Staff and other personnel costs	10 682	9 648	3 498	57 197	15 294	46 370	-	-	6 526	149 215	105 911
Travel	1 244	392	431	3 680	25	82	-	-	1 074	6 928	6 124
Contractual services	13	11	236	1 762	139	2 070	17 943	3 006	912	26 092	14 473
Operating expenses	1 202	110	129	9 095	686	1 285	-	-	1 140	13 647	11 031
Acquisitions	70	127	33	10 782	13 803	1 518	-	-	129	26 462	4 388
Other	-	15	-	4 843	84	361	-	-	370	5 673	2 372
Total expenditure	**13 211**	**10 303**	**4 327**	**87 359**	**30 031**	**51 686**	**17 943**	**3 006**	**10 151**	**228 017**	**144 299**
Excess (shortfall) of income over expenditure	**61**	**(84)**	**645**	**(822)**	**(962)**	**(1 748)**	**-**	**-**	**2 126**	**(784)**	**449**
Prior period adjustments	(121)	-	-	(26)	-	147	-	-	-	-	-
Net excess (shortfall) of income over expenditure	**(60)**	**(84)**	**645**	**(848)**	**(962)**	**(1 601)**	**-**	**-**	**2 126**	**(784)**	**449**
Savings on, or cancellation of prior periods' obligations	60	84	66	796	-	347	-	-	15	1 368	508
Other adjustments to reserves and fund balances	-	-	-	-	-	-	-	-	-	-	3 547
Reserves and fund balances, beginning of period	-	-	-	52	-	(1 206)	-	-	4 811	3 657	(847)
Reserves and fund balances, end of period	**-**	**-**	**711**[f]	**-**	**(962)**	**(2 460)**	**-**	**-**	**6 952**	**4 241**	**3 657**

[a] See note 10 (4).
[b] Comparative figures have been reclassified to conform to current presentation.
[c] Represents allocations from funds of the United Nations.
[d] Income excludes billings for undisbursed expenditure at the United Nations Office at Vienna in the amount of $943,520 which will be billed in 2006.
[e] Income excludes billings for undisbursed expenditure at the United Nations Office at Vienna in the amount of $2,088,812 which will be billed in 2006.
[f] An amount of $710,700 is being carried forward for activities of the United Nations System Accounting Standards project during 2006-2007.

The accompanying notes are an integral part of the financial statements.

Schedule 10.5

United Nations other funds[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2004-2005 ending 31 December 2005
(Thousands of United States dollars)

	Nobel Peace Prize Memorial Fund	Special awards	United Nations Mission in East Timor	Sale of United Nations bonds	**Total 2005**	**Total 2003**
Income						
Voluntary contributions	39	-	-	-	39	533
Interest income	121	5	107	-	233	433
Other/miscellaneous income	3 079[b]	-	-	-	3 079	829
Total income	**3 239**	**5**	**107**	**-**	**3 351**	**1 795**
Expenditure						
Other	40	127	-	-	167	795
Total expenditure	**40**	**127**	**-**	**-**	**167**	**795**
Net excess (shortfall) of income over expenditure	**3 199**	**(122)**	**107**	**-**	**3 184**	**1 000**
Savings on or cancellation of prior period obligations	-	-	-	-	-	417
Other adjustments to reserves and fund balances	-	-	-	-	-	1 319
Reserves and fund balances, beginning of period	1 083	128	8 748	44 048	54 007	51 271
Reserves and fund balances, end of period	**4 282**	**6**	**8 855**	**44 048**	**57 191**	**54 007**

United Nations other funds[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2005

(Thousands of United States dollars)

	Nobel Peace Prize Memorial Fund	Special awards	United Nations Mission in East Timor	Sale of United Nations bonds	**Total 2005**	**Total 2003**
Assets						
Cash and term deposits	-	-	29	-	29	466
Cash pool[c]	4 105	133	2 749	-	6 987	2 407
Assessed contributions receivable from Member States	-	-	6 100	-	6 100	6 118
Inter-fund balance receivable	177	-	-	-	177	1 083
Due from the Ad Hoc Account for the United Nations Operation in the Congo[d]	-	-	-	35 931	35 931	35 931
Due from the Special Account for the United Nations Emergency Force (UNEF) (1956)[d]	-	-	-	8 117	8 117	8 117
Total assets	**4 282**	**133**	**8 878**	**44 048**	**57 341**	**54 122**
Liabilities						
Contributions or payments received in advance	-	-	23	-	23	28
Unliquidated Obligations - current period	-	30	-	-	30	-
Inter-fund balances payable	-	97	-	-	97	61
Total bonds sold	-	-	-	169 906	169 906	169 906
Amortized to December 1989	-	-	-	(166 653)	(166 653)	(166 653)
Net gain on exchange	-	-	-	(3 253)	(3 253)	(3 253)
Other accounts payable	-	-	-	-	-	26
Total liabilities	**-**	**127**	**23**	**-**	**150**	**115**
Reserves and fund balances						
Cumulative surplus (deficit)	4 282	6	8 855	44 048	57 191	54 007
Total reserves and fund balances	**4 282**	**6**	**8 855**	**44 048**	**57 191**	**54 007**
Total liabilities and reserves and fund balances	**4 282**	**133**	**8 878**	**44 048**	**57 341**	**54 122**

[*] See note 10.7.

[b] Represents transfers of remaining surpluses from post-exchange operations of UNEF and the United Nations Iraq-Kuwait Observation Mission.

[c] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $1,088,687, short-term investments of $3,185,997 (market value $3,185,997), long-term investments of $2,668,612 (market value $2,634,247) and accrued interest receivable of $43,589.

[d] Disposal of this amount will be subject to a decision by the General Assembly.

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, are as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations System Accounting Standards, as adopted by the former Administrative Committee on Coordination, which has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The

Organization follows International Accounting Standard 1, Presentation of financial statements, on the disclosure of accounting policies, as modified and adopted by CFB, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph k (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of an actual exchange rate at the date of the statements would provide a valuation materially different from the application of the Organization's rate of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow statement is based on the indirect method of cash flows, as referred to in the United Nations System Accounting Standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to CEB.

(i) The results of the Organization's operations presented in statements I, II and III are summarized by general type of activity and are presented on a combined basis for funds other than those that are reported on separately, after the elimination of all inter-fund balances and instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Separate financial statements are issued for the United Nations general and related funds, for the United Nations Iraq escrow accounts, for the United Nations Compensation Commission, for the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), for the International Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and for the peacekeeping accounts, which are reported separately on a fiscal year basis covering the period from 1 July to 30 June.

(k) Income:

(i) The amounts necessary to finance the activities of the United Nations regular budget, the peacekeeping operations, the Capital Master Plan, the international tribunals for the former Yugoslavia and Rwanda and the Working Capital Fund are assessed to Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments to Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed to non-member States that agree to reimburse the Organization for the costs of their participation in United Nations treaty bodies, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States and other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Income from revenue-producing activities (including activities handled by outside contractors) is shown in the financial statements on a net basis, after the subtraction of directly related operating expenditures;

(vi) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vii) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(viii) Income from jointly financed activities represents amounts charged to other organizations for their share of joint costs paid for by the Organization;

(ix) Income for services rendered includes amounts charged for staff salaries and other costs that are attributable to providing technical and administrative support to other organizations;

(x) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments, and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(xi) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency exchange adjustments, except for those arising from revaluation of current-period obligations as stated in (l) (i) below, settlements of insurance claims, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed to non-member States as stated in (k) (iii) above, monies accepted for which no purpose was specified and other sundry income. In respect of general trust funds, miscellaneous income also includes savings on or cancellation of prior-period obligations;

(xii) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in item (n) (iii) below.

(l) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements. Expenditures also include currency exchange adjustments arising from revaluation of current-period obligations;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. The inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period but are recorded as deferred charges, as referred to in item (m) (vi) below.

(m) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for as set out in item (m) (ii) above. The share in the cash pools is reported separately in each participating fund's statement and its composition and the market value of its investments are disclosed in the footnote to the statement;

(iv) Assessed contributions represent legal obligations of contributors and, therefore, the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) Construction in progress is shown in the accounts as such until completion of the construction projects, at which time the completed construction projects, together with the cost of the land, are reflected as capital assets of the Organization;

(ix) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

(n) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities and other income received but not yet earned;

(iv) The commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations relating to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds with a multi-year financial cycle remain valid until the completion of the project;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statement, the General Assembly has not invoked this provision.

(o) Technical cooperation activities:

(i) The technical cooperation financial statements report on activities financed by voluntary contributions, funds received under inter-organizational arrangements from UNDP, UNFPA and other sources, and by allocation from section 23 of the regular budget;

(ii) Voluntary contributions from Member States or other donors for technical cooperation activities are recorded as income upon receipt of cash, including amounts received pending the identification of specific projects;

(iii) The allocation of income from UNDP and UNFPA is determined taking into account interest and other miscellaneous income against total expenditure;

(iv) Distribution of interest income for trust funds is calculated at year's end using the percentage participation of each fund based on the monthly average fund balance;

(v) Miscellaneous income arising from regular budget activities is credited to miscellaneous income of the General Fund. Interest and miscellaneous income for technical cooperation trust funds are credited to the trust funds concerned;

(vi) Unliquidated obligations for the current period in respect of all technical cooperation activities other than those funded from the regular budget remain valid for 12 months following the end of the calendar year, rather than the biennium, to which they relate. However, in accordance with UNDP/UNFPA reporting requirements, such obligations may be retained beyond 12 months when a firm liability to pay still exists. Savings on or cancellation of prior-period obligations are credited to individual projects as a reduction of current-period expenditure;

(vii) The appropriation for the technical cooperation programmes of the regular budget is administered in accordance with the Financial Regulations of the Organization. Unliquidated obligations for the regular programme of technical cooperation that are outstanding at the end of a financial period are transferred from the United Nations General Fund accounts to the technical cooperation accounts in the following financial period;

(viii) A system of average costing is used for UNDP/UNFPA projects whereby those elements of experts' actual costs that are unique to the individual expert are charged to UNDP/UNFPA projects at average cost. This is calculated by apportioning those costs over all UNDP or UNFPA projects in respect of which expert-months have been delivered in the current period;

(ix) The repatriation grant entitlement is calculated on the basis of 8 per cent of net base pay for eligible project personnel, except those subject to average costing.

(p) Trust funds established by the General Assembly or the Secretary-General are of two types — general trust funds and technical cooperation trust funds:

(i) Accounts for general trust funds are maintained under the same accounting procedures as those adopted for the regular budget, except that savings on or cancellation of prior-period obligations are credited to miscellaneous income;

(ii) Effective 1 January 2005, general trust funds are charged with costs for the repatriation grant entitlement, which is calculated on the basis of 8 per cent of net base pay of eligible personnel;

(iii) Accounts for technical cooperation trust funds and for UNDP/UNFPA general trust funds are accounted for on the same basis as described above for technical cooperation activities;

(iv) Funds provided to reimburse the Organization for the use of its facilities are not treated as trust funds. Any unspent balances of such funds held by the Organization are included as part of accounts payable totals reported in the General Fund (statement IV) or in other statements.

Note 3
All funds summaries: income and expenditure and changes in reserves and fund balances (statement I); assets, liabilities and reserves and fund balances (statement II); cash flows (statement III)

(a) Statements I, II and III contain financial results for United Nations funds, which are totalled into six groups of related funds and, after elimination, combined into a grand total reflecting all activities of the Organization. This combined presentation should not be interpreted to mean that any individual fund can be used for any purpose other than that for which it is authorized. The six groups consist of:

(i) General Fund and related funds, comprising the United Nations General Fund, Working Capital Fund and Special Account, which is reflected in statement V;

(ii) Technical cooperation activities, which includes the financial results summarized in statement VI;

(iii) General trust funds, which includes the financial results summarized in statement VII;

(iv) Tax Equalization Fund, which includes the financial results summarized in statement VIII;

(v) Capital assets and construction in progress, which includes the financial results summarized in statement IX;

(vi) Other special funds, which includes the financial results summarized in statement X.

(b) Statement I includes two calculations of the excess or shortfall of income compared with expenditure. The first calculation is based on income and expenditure only for the current period of the biennium. The second calculation shown is a net one, which includes any prior-period adjustments to income or expenditure.

Note 4
General Fund: status of appropriations (statement IV)

In accordance with General Assembly resolutions 58/271, 58/295, 59/277, 59/282, 59/294, 60/244 and 60/245, the budget appropriations and gross assessments for the biennium 2004-2005 are as follows (in thousands of United States dollars):

		2004	*2005*	*Total*
Budget appropriations (resolution 58/271 A)		1 580 430	1 580 430	3 160 860
Add:	Increased appropriations for the biennium 2004-2005:			
	resolution 58/295	—	18 336	18 336
	resolution 59/277 A	—	428 978	428 978
	resolution 59/282	—	87 305	87 305
	resolution 59/294	—	24 549	24 549

	2004	*2005*	*Total*
resolution 60/244	—	17 480	17 480
resolution 60/245	—	(81 708)	(81 708)
Total 2004-2005 revised budget appropriation	**1 580 430**	**2 075 370**	**3 655 800**
Estimated income (other than staff assessment) for the biennium 2004-2005 (resolution 58/271 B)	14 400	14 400	28 800
Less: Decrease in income (other than staff assessment) for the biennium 2004-2005 (resolution 59/277 B)	—	(562)	(562)
Total revised estimated income	**14 400**	**13 838**	**28 238**
Total 2004-2005 revised budget appropriations less total estimated income			
Add: Increase in appropriations for the biennium 2002-2003 to be assessed in 2004 (resolution 58/271 C)	76 909	—	76 909
Decrease in income (other than staff assessment) for the biennium 2002-2003 (resolution 58/271 C)	6 393	—	6 393
Less: Balance in the surplus account as at 31 December 2003 (resolution 59/277 C)	—	(15 671)	(15 671)
Increase in appropriations for the biennium 2004-2005 to be assessed in 2006 (resolutions 59/282, 59/294, 60/244 and 60/245)	—	(47 626)	(47 626)
	83 302	**(63 297)**	**20 005**
Gross amount assessed to Member States in the biennium 2004-2005 (resolutions 58/271 C and 59/277 C	**1 649 332**	**1 998 235**	**3 647 567**

Note 5
United Nations General Fund and related funds (statement V)

1. United Nations General Fund

(a) Cash and term deposits:

(i) The cash and term deposits figure shown represents the net total of all cash balances (including funds held in non-convertible currencies) less any overdrafts;

(ii) The following is the United States dollar equivalent of the non-convertible currencies held as at 31 December 2005 (in thousands of United States dollars):

Non-convertible currency	*United States dollar equivalent*
Afghanistan Afgani	24
Brazilian real	1
CFA franc BCEAO (Central Bank of West African States)	342
CFA franc BEAC (Bank of Central African States)	25

Non-convertible currency	*United States dollar equivalent*
Czech koruna	21
Egyptian pound	8
Ethiopian birr	950
Romanian leu	74
Russian ruble	10
Rwanda franc	6
Zambian kwacha	17
Syrian pound	2

(b) Assessed contributions unpaid:

(i) In accordance with financial regulation 3.5, payments made by a Member State are credited first to the Working Capital Fund and then to regular budget contributions due in the order in which the Member State was assessed;

(ii) Certain Member States have indicated that they do not intend to pay some of their assessed contributions or that such contributions will be paid only under certain conditions. A number of Member States have requested that attention be drawn to their positions as stated by their delegations at successive sessions of the General Assembly. They do not consider themselves bound to pay their estimated share of certain expenditure items included in the Organization's regular budget, such as the United Nations bond issue. Prior to 1975, withholdings by those Member States included their estimated shares of the United Nations Commission for the Unification and Rehabilitation of Korea and the United Nations Memorial Cemetery in Korea. Prior to 1968, there were withholdings for the United Nations Truce Supervision Organization;

(iii) Certain Member States have also stated that they do not consider themselves bound to particular expenditure items included in the United Nations regular budget, such as those for the Committee on the Exercise of the Inalienable Rights of the Palestinian People and the Special Unit on Palestinian Rights, the International Conference on the Question of Palestine, the International Conference on the Alliance between South Africa and Israel, the Preparatory Commission for the United Nations Conference on the Law of the Sea, the United Nations International School, the grants in aid to cover the deficit of UNITAR, the International Conference on Kampuchea and the expenses involved in transferring extrabudgetary posts to the regular budget;

(iv) As a result of the positions taken by some Member States as outlined above, it is estimated that as at 31 December 2005 a cumulative total of $60,377,996 will have been withheld from the payments of two Member States. This estimate is included in the total contributions outstanding as at 31 December 2005 of $344,827,351 with respect to the regular budget. Of the total unpaid assessments, $30,653,458 are over one year old and $314,173,893 are less than one year old;

(v) The assessed contributions receivable, as shown in the accounts for the period ended 31 December 2005, have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. Based on United Nations policy, as stated in note 2, paragraph (m) (iv) above, no provision has been made for delays in the collection of outstanding assessed contributions;

(vi) The assessed contributions receivable shown in statement V exclude $16,636,846 in unpaid assessed contributions to the regular budget by China for the period up to 24 October 1971. Following the adoption by the General Assembly on 25 October 1971 of resolution 2758 (XXIV), entitled "Restoration of the lawful rights of the People's Republic of China in the United Nations", that amount has been transferred to a special account under General Assembly resolution 3049 C (XXVII) of 19 December 1972;

(vii) The details of assessed contributions receivable are shown in the report on the status of contributions as at 31 December 2005 (ST/ADM/SER.B/673). The report shows total unpaid assessments of $344,598,340, compared to $344,827,351 in the assessed contributions receivable account in the financial statements. The difference is the result of an adjustment with respect to the Government of Morocco which was not reflected in the report on the status of contributions owing to its early issuance. Amounts due from the former Yugoslavia, which ceased to be a Member State on 1 November 2000, are included in the assessed contributions receivable account in the financial statements and also in the status of contributions report. However, no action has been taken in the accounts as there is no specific General Assembly resolution on this matter.

(c) The following is a breakdown of other accounts receivable pertaining to the United Nations General Fund that are included in statement V as at 31 December 2005 and 2003 (in thousands of United States dollars):

Accounts receivable	*2005*	*2003[a]*
Governments	2 326	3 215
Staff members	16 145	15 702
Vendors	2 112	2 232
Specialized agencies	6 764	6 589
Other entities	44 477	52 964
Other	1 254	1 484
Total	**73 078**	**82 186**

[a] Comparative figures have been restated.

(d) The following is a breakdown of deferred charges pertaining to the United Nations General Fund that are included in statement V as at 31 December 2005 and 2003 (in thousands of United States dollars):

Deferred charges	*2005*	*2003[a]*
Education grant advances	10 732	9 948
Commitments against future years	47 907[b]	47 111
Other	748	1 048
Total	**59 387**	**58 107**

[a] Comparative figures have been restated.
[b] Represents reserves for obligations from 2006 to 2011.

(e) The following is a breakdown of other accounts payable pertaining to the United Nations General Fund that are included in statement V as at 31 December 2005 and 2003 (in thousands of United States dollars):

Accounts payable	*2005*	*2003[a]*
Governments	6 366	3 632
Staff members	12 520	8 186
Vendors	60 581	37 511
Specialized agencies	1 311	2 224
Due to other United Nations entities	37 045	48 493
Provisions for repatriation grant	6 824	8 284
Other	3 408	5 083
Total	**128 055**	**113 413**

[a] Comparative figures have been restated.

(f) Other liabilities as at 31 December 2005 and 2003 as shown in statement V were as follows (in thousands of United States dollars):

Other liabilities	*2005*	*2003*
UNPA customers' subscription deposits	482	687
Other	24	40
Total	**506**	**727**

(g) The surplus account of the United Nations General Fund represents funds available for credit to Member States arising from unobligated balances of appropriations, savings on or cancellation of prior-period obligations and other designated income. The following table shows the composition of total reserves and fund balances as at 31 December 2005 and 2003 (in thousands of United States dollars):

Reserves and fund balances		*2005*	*2003*
Authorized retained surpluses as established by:			
General Assembly resolutions 2947 A and B (XXVII)		3 938	3 938
General Assembly resolution 36/116 B	45 480		
Less write-off of arrears for South Africa[a]	19 100	26 380	26 380
General Assembly resolution 40/241 B	10 532		
Less write-off of arrears for South Africa[a]	4 423	6 109	6 109
General Assembly resolution 42/216 A	154 881		
Less transfer to peacekeeping reserve fund[b]	82 601		
Less write-off of arrears for South Africa[a]	30 359	41 921	41 921
Total authorized retained surplus		**78 348**	**78 348**
Less funding of UNITAR building[c]		9 992	9 992
Net authorized retained surplus		**68 356**	**68 356**
Cumulative surplus:			
(Shortfall) excess of income over expenditure		79 173	(72 790)
Savings on or cancellation of prior period obligations		21 596	18 553
Prior period adjustments		(4 599)	(696)
Subtotal		**96 170**	**(54 933)**
Balance of cumulative (deficit) surplus as at 31 December 2003		(61 238)	(6 305)
Total cumulative (deficit) surplus		**34 932**	**(61 238)**
Total reserves and fund balances		**103 288**	**7 118**

[a] General Assembly resolution 50/83 of 15 December 1995.
[b] General Assembly resolution 47/217 of 23 December 1992.
[c] General Assembly resolution 47/227 of 8 April 1993.

2. Working Capital Fund

In accordance with General Assembly resolution 58/274 of 23 December 2003, the Working Capital Fund was established in the amount of $100 million for the biennium 2004-2005. As at 31 December 2005, the principal balance of the Working Capital Fund was $100 million.

3. Special Account

Under the provisions of General Assembly resolutions 2053 A (XX) of 15 December 1965 and 3049 A (XXVII) of 19 December 1972, the Special Account has received voluntary contributions from Member States and private donors in order to overcome the financial difficulties of the United Nations and to resolve the Organization's short-term deficit.

Note 6
Technical cooperation activities (statement VI)

(a) Effective 1 January 2004, all technical cooperation accounts of UN-Habitat are excluded, except for the regular programme of technical cooperation funded from section 23 of the United Nations General Fund, as they are reported on in the financial statements for the United Nations Human Settlements Programme. Previous financial statements have been restated.

(b) The amount of $26,209,000 shown in statement VI as receivable from funding sources includes unliquidated obligations for which funds will be requested only as payments become due, in accordance with existing arrangements with UNDP and UNFPA.

Note 7
General trust funds (statement VII)

(a) Nine new trust funds were established and 29 trust funds were closed during the biennium ended 31 December 2005. As at 31 December 2005, there were 169 general trust funds.

(b) Effective 1 January 2004, programme support cost expenditures for implementing partners and for the United Nations are shown as separate line items in statement VII.

(c) The United Nations Fund for International Partnerships (UNFIP), a trust fund administered by the Secretary-General, was established by the United Nations in 1998 following the agreement signed by the United Nations with the United Nations Foundation, Inc., a not-for-profit corporation organized under the laws of the State of New York of the United States of America. Funding is provided by the Foundation to assist and support the United Nations in achieving the goals and objectives of the Charter of the United Nations. UNFIP, through its administrative office, works with the Foundation to identify and select projects and activities to be funded by the Foundation, receives and distributes the funds for such projects and activities, and monitors and reports to the Foundation on the use of the funds.

Upon approval of project documents, UNFIP advances the annual cash requirements to United Nations funds, programmes and specialized agencies (see appendix A). At periodic intervals, implementing partners submit reports providing details of cash disbursed in carrying out project activities, which serve as the basis for clearing the cash advances.

Note 8
United Nations Tax Equalization Fund (statement VIII)

The Tax Equalization Fund was established under the provisions of General Assembly resolution 973 (X) of 15 December 1955 to equalize the net pay of all staff members whatever their national tax obligations. The Fund reports as income the staff assessment in respect of staff members financed under the regular budget, assessed peacekeeping operations and the tribunals for Rwanda and the former Yugoslavia. The Fund includes as expenditure the credits against the regular budget, peacekeeping and tribunal assessments of Member States which do not levy taxes on the United Nations income of their nationals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in

full. Instead, their share is utilized in the first instance to reimburse staff members for taxes they had to pay on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds.

Note 9
Capital Assets Fund and construction in progress (statement IX)

1. Capital Assets Fund

(a) Land and buildings are reported at original cost. No depreciation is provided for buildings. Major improvements and extensions to existing buildings are reflected in the construction-in-progress fund and are capitalized when the projects are completed.

(b) The capital assets of the Organization, expressed in millions of United States dollars, comprise land and buildings (at cost) at the following locations:

Capital assets		*Amount*
United Nations building, New York (original cost)	67.1	
Less cost of library building razed in 1960	1.7	65.4
Dag Hammarskjöld Library building, New York		6.7
Land for permanent Headquarters site, New York		9.6
Extension of meeting rooms of North Lawn and delegates' dining facilities and staff cafeteria, New York		56.2
UNITAR building		11.0
Subtotal		**148.9**
Secretariat building and General Assembly Hall, library building and villas, Geneva		12.3
Modernization of Palais des Nations, Geneva		2.1
Major maintenance, Geneva		6.7
Extensions of conference facilities, Geneva		47.7
Subtotal		**68.8**
United Nations accommodation a Nairobi, Gigiri building		27.1
Conference facilities at Nairobi, Gigiri building		8.7
Subtotal		**35.8**
Land and structures, Addis Ababa, Mogadishu and Pusan		0.3
ECA building, Addis Ababa		7.5
New ECA conference facilities		115.0
Subtotal		**122.8**

Capital assets		*Amount*
United Nations building, Santiago		5.6
Documents Research Centre, Santiago		1.0
Subtotal		**6.6**
ESCAP building, Bangkok	8.7	
Less cost of Netherlands building razed in 1990	0.2	8.5
ESCAP conference building in Bangkok		46.5
Subtotal		**55.0**
Total		**437.9**

2. Construction in progress

(a) The financial statements for construction in progress comprise those for the Capital Master Plan, security measures and other discrete construction-in-progress projects.

(b) All construction-in-progress accounts are maintained on a multi-year financial cycle. Any unexpended balances of appropriations are carried forward into succeeding bienniums until the projects are completed.

(c) All expenditures incurred and savings on or cancellation of prior-period obligations are transferred to and reported as construction in progress in the statement of assets, liabilities, reserves and fund balances.

(d) The Capital Master Plan was established in 2001 pursuant to General Assembly resolution 55/238 and encompasses all expenditures relating to the major refurbishment of the United Nations Headquarters complex in New York. The Capital Master Plan was initially financed through an appropriation from the United Nations regular budget and subsequently through assessments to Member States.

(e) The fund for security measures was established in 2002 pursuant to General Assembly resolution 56/286 to account for and report on the resources authorized by the General Assembly for alteration and improvements of United Nations premises and on related expenditures in respect of strengthening the security and safety of the United Nations premises. Funds for security measures are appropriated from the United Nations regular budget.

Note 10
Other special funds (statement X)

1. Funds held in trust (schedule 10.1)

(a) Funds held in trust account for resources set aside and disbursements made for stabilization of medical, dental and life insurance premiums, reimbursements of claims under the medical insurance plan, compensation payments under appendix D to the Staff Rules, repatriation grant entitlements and for liability claims associated with the general liability of the Organization. They also contain the accounts of certain self-insurance activities, such as the Geneva Staff Mutual Insurance Society against sickness and accident.

(b) Premiums collected for medical, dental and life insurance schemes managed at United Nations Headquarters and paid to the insurance carriers under contract with the United Nations are accounted for in the General Fund.

(c) Effective 1 January 2005, a separate repatriation grant reserve fund was established for the accrual and payment of the entitlement to staff members funded from non-UNDP/UNFPA technical cooperation trust funds, general trust funds and related programme support cost accounts. The accrual made previously under non-UNDP/UNFPA technical cooperation trust funds has been transferred to this reserve fund.

2. Special accounts for programme support costs (schedule 10.2)

(a) The special accounts for programme support costs are shown separately from the extrabudgetary funds from which they derive their incomes.

(b) Effective 1 January 2004, the programme support cost account for UN-Habitat technical cooperation activities is excluded, as it is covered in the financial statements for the United Nations Human Settlements Programme. Previous financial statements have been restated.

(c) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation, administrative and substantive activities. The reimbursement is calculated as a percentage of the programme resources expended, except for general trust fund allocations, for which, effective 1 January 2004, reimbursement is calculated as a percentage of the allocation.

(d) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as the programme budget.

(e) Effective 1 January 2005, programme support accounts that receive income primarily from technical cooperation activities and general trust funds are charged with costs for the repatriation grant entitlement, which is calculated on the basis of 8 per cent of the net base pay of eligible personnel.

(f) The special account for programme support costs of peacekeeping operations is presented in a separate volume of the report of the Board of Auditors, on United Nations peacekeeping operations.

3. Common support services (schedule 10.3)

(a) Integrated Management Information System (IMIS):

(i) Funds were appropriated from the United Nations regular budget for the IMIS project and allocations were provided from various funds, including the peacekeeping accounts;

(ii) Interest income is computed on inter-fund indebtedness from the General Fund at the end of each month, based on the average rate of return on the United Nations Headquarters cash pool applicable for the month;

(iii) Any unexpended fund balances are carried forward to the succeeding biennium until the project is complete.

(b) Information technology and telecommunications represents the Special Account for Information Technology and Telecommunications Services Costs at

Headquarters, which was established during the biennium 2000-2001 to account for the recovery of the costs associated with information technology and telecommunication services provided by the Office of Central Support Services at United Nations Headquarters. Such costs, which include common carrier costs, infrastructure maintenance and development costs, and operational and management costs of the Office of Central Support Services, are reimbursed by the users of the services.

(c) Common services represents the Special Account for Common Services which was established during the biennium 2000-2001 to support the activities of the Executive Coordinator for Common Services for the establishment of various common services with the United Nations funds and programmes, including support through the Common Services Support Unit to: develop an evaluation framework for common services and establish performance indicators and identify constraints; encourage development of common qualitative and quantitative performance indicators related to specific common service areas; and facilitate the work of the technical working groups by proposing strategies, supporting the necessary action by ensuring that the targeted deliverables are regularly monitored and providing policy guidance.

(d) Travel services represents the Special Account for Travel Services which was established during the biennium 2000-2001 to account for the travel services provider at Headquarters. The income received from rebates is being used to cover the cost of services charged by the travel services provider.

(e) Rented premises represents the Special Account for Rented Premises at Headquarters which was established during the biennium 2002-2003 to account for rental and maintenance costs of rented premises at Headquarters.

4. Jointly financed activities (schedule 10.4)

(a) As a result of the introduction of net budgeting as endorsed by the General Assembly in its resolution on the programme budget for the biennium 1998-1999, the costs of the International Civil Service Commission, the Joint Inspection Unit, the CEB secretariat, joint safety and security activities (Headquarters), joint safety and security activities (Vienna), conference services (Vienna), the Malicious Acts Insurance Policy and the Dag Hammarskjöld Library Consortium are charged directly to the fund established for these jointly financed activities. These costs are charged directly to the fund when incurred and are subsequently distributed among participating organizations. The amounts paid by the United Nations and other participating organizations are credited to income.

(b) Pursuant to General Assembly resolution 55/278, the United Nations System Staff College was established effective 1 January 2002 and a special account was created to account for the activities of the College, which is reported in the financial statements of the United Nations. The College serves as the institution for system-wide knowledge management, training and continuous learning for the staff of the United Nations system, aimed in particular at the areas of economic and social development, peace and security and internal management of the United Nations system.

5. United Nations Central Emergency Revolving Fund

The United Nations Central Emergency Revolving Fund was established by the Secretary-General in accordance with General Assembly resolution 46/182 of 19 December 1991. The Fund is financed by voluntary contributions. Its resources are to be used only for advances to United Nations organizations and entities in order to expedite their responses to requests for emergency assistance. Those advances are to be repaid to the Fund as a first charge against voluntary contributions received in respect of the particular emergency assistance programme (see appendix B).

6. Special multi-year account for supplementary development activities

(a) Represents the special multi-year account for supplementary development activities which was established by the General Assembly in its resolution 54/15. Resources appropriated under the section for the Development Account of the United Nations regular budget are transferred into the special multi-year account.

(b) The unspent balance of appropriations at the end of the biennium is carried forward to the succeeding biennium.

(c) Effective 1 January 2004, for the retention of unliquidated obligations, the financial cycle of the account was changed from a multi-year to a biennial cycle. Therefore, at the end of December 2004, in accordance with financial regulation 5.4, all prior-period obligations were closed, resulting in provisional savings on prior-period obligations. The savings will be available for development activities in the current and succeeding bienniums.

7. Other funds (schedule 10.5)

(a) The Nobel Peace Prize Memorial Fund was established effective 29 May 2003 for the receipt and administration of the entire proceeds of the Nobel Peace Prize awarded in 2001 to the United Nations and the Secretary-General. The Fund may also receive contributions from others. The purpose is to create a living memorial to the United Nations civilian personnel who have been killed in the service of peace and to assist in the education of their surviving children.

(b) The fund for special awards was established for the receipt of the Nobel Peace Prize awarded to the United Nations peacekeeping forces in 1998 and other awards. The funds have been utilized mainly for the construction of a memorial dedicated to the United Nations staff members who have lost their lives in the service of peace.

(c) United Nations Mission in East Timor:

(i) By its resolution 1246 (1999), the Security Council established the United Nations Mission in East Timor (UNAMET) to organize and conduct a popular consultation, on the basis of a direct, secret and universal ballot;

(ii) UNAMET was succeeded by the United Nations Transitional Administration in East Timor (UNTAET) then by the United Nations Mission of Support in East Timor (UNMISET), which are funded from the United Nations peacekeeping budget.

(d) United Nations bonds represents the special account for sale of United Nations bonds. Under the terms of General Assembly resolution 1739 (XVI) of 20 December 1961, the Secretary-General was authorized to issue bonds up to a total of $200,000,000, utilizing the proceeds of sale for purposes normally associated with the Working Capital Fund. The Secretary-General was also requested to include in the regular budget an amount sufficient to pay interest and instalments of principal, in accordance with the terms of the issue. A total of $169,906,000 was realized from the sale of the bonds and utilized for the United Nations Emergency Force (1956) and the United Nations Operation in the Congo. The last payments of principal and interest were made to bond holders in the biennium 1988-1989 and the bond issue is now fully amortized.

Note 11
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Organization but is charged against the current appropriations when acquired. The following table shows the non-expendable property expressed in thousands of United States dollars, at Headquarters and overseas locations, according to the cumulative inventory records of the United Nations:

Location	*2005*	*2003*
Headquarters, New York	104 423[a]	88 712
United Nations Office at Geneva	42 600	37 419[b]
United Nations Office at Vienna	8 502	6 621
United Nations Office at Nairobi	7 913	6 414
ESCWA	2 561	2 103
ECLAC	5 413	3 350
ESCAP	7 435	6 149
ECA	27 307	25 480
United Nations information centres	4 873	4 573
ICJ	1 702	1 547
INSTRAW	263	—
MINUGUA	—	4 947
UNMOGIP	6 788	5 222
UNTSO	12 929	11 065
UNAMA	22 993	21 721
UNMA	—	4 834
BONUCA	1 752	1 284
UNTOP	1 428	1 837
UNAMI	22 120	3 356
MINUCI	51	4 350

Location	*2005*	*2003*
United Nations Administrative Unit — Baghdad	—	2 136
UNOTIL	16 547	—
UNOWA/CNMC	813	—
Total	**298 413**	**243 120**

[a] Includes $1,162,473 in respect of items for which the actual original costs were not available. These have been estimated on the basis of acquisition dates.

[b] The previously reported figure of $37,655,256 has been revised by $236,168 to exclude costs relating to UNITAR.

The movement in non-expendable property is summarized below (in thousands of United States dollars):

Balance at 1 January 2004	243 120
Acquisitions	123 412
Less write-offs — accidents, thefts and damages	(459)
Less dispositions and other adjustments	(67 660)
Balance at 31 December 2005	**298 413**

Note 12
Liabilities for end-of-service and post-retirement benefits

(a) The United Nations has not specifically recognized, in any of its financial accounts, liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments, which will be owed when staff members leave the Organization. Such costs are budgeted for in the regular budget and the actual payments made in each financial period are reported as current expenditures.

(b) Based on established practice, in order to gain a better understanding of the financial dimensions of the Organization's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health insurance benefits. It is estimated that United Nations liability as at 31 December 2005 for after-service health insurance benefits covering all participants, regardless of funding source, is as follows (in thousands of United States dollars):

After-service health insurance liability	*Present value of future benefits*	*Accrued liability*
Gross liability	3 486 210	2 678 997
Offset from retiree contributions	(772 578)	(606 168)
Net liability	**2 713 632**	**2 072 829**

(c) The present value of the future benefits figures shown above are the discounted values of all benefits to be paid in future to all current retirees and active employees expected to retire. Accrued liability represents those portions of the present values of benefits that have accrued from the staff members' dates of entry

on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) Staff members who separate from the Organization are entitled to be paid for any unused vacation days that they may have accrued, up to a maximum limit of 60 days. The Organization's total liability for such unpaid accrued vacation compensation as at 31 December 2005 is estimated to be between $118 million and $123 million.

(e) Some staff members are entitled to repatriation grants and payment of related relocation expenditures upon their separation from the Organization, based on the number of years of service. The Organization's total liability for such unpaid repatriation and relocation entitlements as at 31 December 2005 is estimated to be between $100 million and $105 million.

Appendix A

United Nations Fund for International Partnerships
Advances receivable as at 31 December 2005

(Thousands of United States dollars)

Implementing organization	*2005*	*2004*
ILO	419	693
FAO	570	261
IAEA	300	—
UNESCO	5 669	2 308
UNIDO	312	704
UNDP	10 946	13 216
UNFPA	4 292	6 423
UNICEF	31 567	6 456
UNEP	1 804	25
UNITAR	144	120
OHCHR	20	20
UNFCC	26	406
UNHCR	146	170
WHO	37 363	16 309
UNIFEM	1 139	3 084
UNCTAD	1	1
UNCDF	1 438	—
WFP	273	—
Total	**96 429**	**50 196**

Appendix B

United Nations Central Emergency Revolving Fund[a]
Advances receivable as at 31 December 2005

(Thousands of United States dollars)

Operational organization	*Project*	*Amount outstanding as at 1 January 2004*	*Amount advanced in 2004-2005*	*Amount reimbursed in 2004-2005*	*Amount outstanding as at 31 December 2005*
UNDP	Ethiopia	630	—	630[b]	[b]
UNICEF	Iraq	3 427	—	3 427	—
UNSECOORD	Iraq	748	—	748	—
OCHA	Liberia	700	—	700	—
WHO	Liberia	500	—	500	—
FAO	Sudan	321	—	321	—
UNMAS	Afghanistan	1 000	—	1 000	—
UNMAS	Iraq	—	1 125	1 125	—
FAO	Congo	—	1 200	1 200	—
WHO	Sudan	—	500	500	—
UNICEF	Sudan	—	4 000	4 000	—
FAO	Burundi	—	950	950	—
UNICEF	Sudan	—	1 300	1 300	—
UNICEF	Sudan	—	2 500	2 500	—
WHO	Sudan	—	1 400	1 100	300
WHO	Chad	—	100	—	100
IOM	Sudan	—	1 000	1 000	—
FAO	Sahelian countries, West Africa	—	8 000	8 000	—
WFP	Southern Africa	—	5 000	5 000	—
UNMAS	Sudan	—	690	690	—
OCHA	Sudan	—	300	300	—
UNMAS	Sudan	—	300	300	—
UNICEF	Sudan	—	11 272	—	11 272
UNICEF	Sudan	—	3 621	—	3 621
WHO	Sudan	—	3 000	3 000	—
WHO	Congo	—	500	—	500
WHO	Niger	—	500	500	—
FAO	Niger	—	808	808	—
UNHCR	East Africa	—	5 000	—	5 000
IOM	Pakistan	—	1 000	—	1 000

Operational organization	*Project*	*Amount outstanding as at 1 January 2004*	*Amount advanced in 2004-2005*	*Amount reimbursed in 2004-2005*	*Amount outstanding as at 31 December 2005*
UNHCR	Burundi	—	5 000	—	5 000
WHO	Sudan	—	2 000	—	2 000
OCHA	South Asia	—	3 196	—	3 196
Total		**7 326**	**64 262**	**39 599**	**31 989**

Note: OCHA, Office for the Coordination of Humanitarian Affairs; UNSECOORD, Office of the United Nations Security Coordinator.

[a] The General Assembly, by resolution 60/124 of 15 December 2005, transformed the Central Emergency Revolving Fund into the Central Emergency Response Fund.

[b] An amount of $208,050 was reimbursed and the remaining amount of $421,950 has been written off.

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